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predicting
turbulent times

DR. MARTENS
Timeless rebel
footwear



SMALL CAPITALISATION BIG PERFORMANCE

WHY SMALL CAPS OUTPERFORM THE MARKET

> CTT SYSTEMS > SAF-HOLLAND > HUMBLE GROUP > RECTICEL > GROUPE GUILLIN > GENOWAY >

ISSN 2296-3278



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COLLECTION

Fifty Fathoms

The Fifty Fathoms collection embodies Blancpain's passion for the underwater universe that was originally expressed in 1953 with the creation of the first modern diver's watch.

With its almost 70-year legacy of the Fifty Fathoms, the Brand has woven close ties with explorers, photographers, scientists, and environmentalists. With that affinity has come a determination to support important activities dedicated to ocean exploration and conservation.

These initiatives are united under the label *Blancpain Ocean Commitment*.



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TRANSMIT OUR PASSION,
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SPEEDMASTER CANOPUS GOLD™

The Speedmaster was first introduced in 1957, and its stories will live forever in history.

It started in 1965 when NASA qualified it for all manned space-flight by subjecting it to a series of extreme tests designed to destroy it. The Speedmaster passed with flying colours and earned its nickname in July of 1969 when it became the first watch worn on the moon.

This edition, while retaining its classic asymmetrical case and famous dot over 90, ventures into new design territory with the introduction of a feature rarely used on the Speedmaster: a sun-brushed silvery step dial. Its case is crafted from OMEGA's

exclusive 18K Canopus Gold™, an otherworldly white gold alloy with high brilliance. A material appropriately named after an extremely bright southern star used for centuries as an important reference point for explorers – and still used today by space agencies.

As a Co-Axial Master Chronometer, today's Moonwatch will require less servicing throughout its lifetime, while also guaranteeing the industry's highest standard of precision, performance and magnetic resistance up to 15,000 gauss, as certified by the Swiss Federal Institute of Metrology (METAS).



The day everything changed



By Marc Bürki,
CEO of Swissquote

Two years ago, in 2020, Swissquote's capitalisation exceeded one billion Swiss francs for the first time in the company's history. This threshold was symbolic, but it has had consequences. As the founder, I saw that the way others looked at us changed. We were now playing in the big league. More people were interested in us. Our company is not the only one this has happened to. In Switzerland, and everywhere else in the world, many **small** listed companies develop amid relative indifference, overlooked by financial analysts, the business press and most investors.

p. 28

While on average more than two dozen analysts cover companies with valuations exceeding \$10 billion, it is not uncommon for no finance experts to follow the smallest listed companies. To come onto investors' radars, these little firms have to work hard. They resort to companies that produce financial analyses for a fee. This sponsored

research does make us wonder about potential conflicts of interest. But small companies often have no choice. As Alexandre Fraichard, CEO of the biotech company genOway, put it in an **interview** with us, if you don't exceed the €100 million capitalisation threshold, no-one's interested in you. That is unfortunate. Because our report shows that smaller capitalisations outperform large firms over the long term. However, they are also often the first affected in times of crisis.

p. 42

For this issue, we have **selected** a handful of European small caps. Their stories illustrate the trials and tribulations that they face, but also the risks and opportunities they represent for investors. If investors focused their attention on small caps over giants like Apple and Microsoft, they would be going back to the origins of the stock market: raising capital for a company to help it to grow.

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Enjoy!

Some dreams you dream. Others you drive.



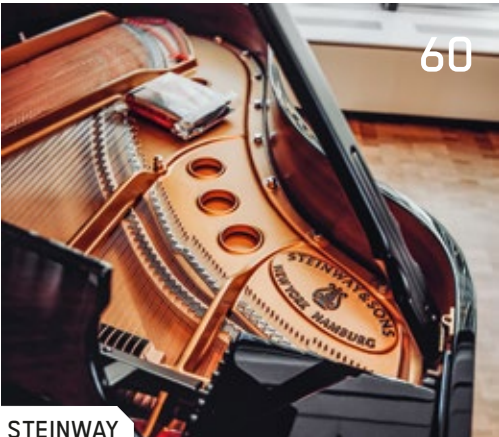
Dreamers Wanted

More on porsche.ch/dreamerswanted

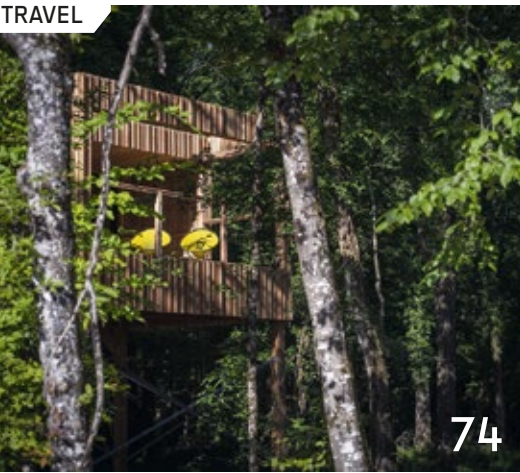


PORSCHE

MONTANA AEROSPACE



TRAVEL



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SCANS

smartphones

APPLE LOOSENS ITS GRIP ON SPARE PARTS



A nano revolution has taken place in Apple's airtight world. The brand is now selling spare parts for its iPhones on the market since the end of 2020, meaning its customers can repair their devices themselves. Currently only available in the United States, the service should be extended to Europe later this year. Apple thus joins Google and Samsung in the sector trend, and

the tech giant also plans to respond to long-standing criticism of the challenges of having devices repaired. However, customers tempted to go the DIY route will hardly reap any financial advantages, saving no more than 5% at best compared to a full repair by the brand. And that doesn't count potentially paying an additional \$49 to rent the tool repair kit.

AAPL



“Russia’s aggression (...) will be seen in future history books as the breakdown of the post-World War Two and post-Cold War order”

Klaus Schwab, founder of the World Economic Forum in Davos.

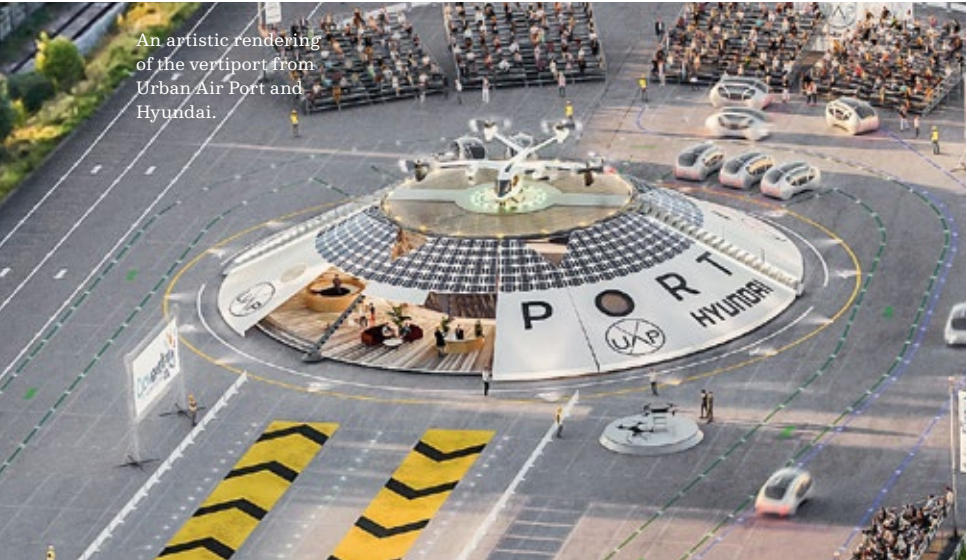
stock exchange

SOARING DIVIDENDS

Despite market turbulence earlier this year, dividends paid to shareholders worldwide reached an all-time high of \$302.5 billion in the first quarter of 2022, according to UK asset management company Janus Henderson. In all, 94% of multinationals increased or maintained their dividends. The mining and oil sectors contributed the most to this trend, with payments to shareholders increasing by roughly 30%, as shown

in the Janus Henderson index, which expects total dividends for 2022 to reach \$1.54 trillion. That would be 4.6% higher than in 2021, which was already a record year. A bulletin published by a manager at Janus Henderson, however, warns that the rest of this year will likely be difficult for many companies because of the war in Ukraine, high energy and raw material prices, inflation and rising interest rates.

An artistic rendering of the vertiport from Urban Air Port and Hyundai.



aircraft

HYUNDAI STRUTS ITS STUFF WITH ITS VERTIPORT

Hyundai and the British startup Urban-Air Port have presented their prototype vertiport in Coventry, UK. This all-new kind of urban transport hub, called Air One, is designed to operate eVTOLs (electric vertical take-off and landing aircraft). With a surface area of 1,580 square metres, it features the same components as a heliport: take-off area, security control, passenger lounge, café, hangar, retail shop, etc. It was open to the

public for one month, but the prefabricated structure will be reassembled in other cities. The main purpose of Air One is to promote the potential of urban air mobility according to the strategy being developed by Hyundai. Its eVTOL, S-A1, was designed in partnership with Uber. Hyundai made the segment a priority in 2019. The Korean group hopes to sell its first aerial taxis in 2028 and deploy more than 200 vertiports by then.

005380



“We are very open-minded to considering Intel”

Jensen Huang, CEO of Nvidia, on the possibility of having Intel produce the company's chips.

-48%

Drop in Logitech share price in one year (from 1 June 2021 to 1 June 2022).

RANKING

TOP 5 EUROPEAN FUNDING DEALS OF 2021

- 1. NORTHVOLT (SWEDEN) \$2.75 BN
- 2. ADEVINTA (NORWAY) €1.9 BN
- 3. TRENDYOL (TURKEY) \$1.5 BN
- 4. DELIVERY HERO (GERMANY) €1.25 BN
- 5. CINCH (UK) €1 BN

Source: tech.eu

TOP 10 JURISDICTIONS MOST COMPLICIT IN SUPPLYING FINANCIAL SECRECY

(based on the Tax Justice Network index, which ranks jurisdictions on how attractive they are to fraudsters)

- 1. UNITED STATES
- 2. SWITZERLAND
- 3. SINGAPORE
- 4. HONG KONG
- 5. LUXEMBOURG
- 6. JAPAN
- 7. GERMANY
- 8. UNITED ARAB EMIRATES
- 9. BRITISH VIRGIN ISLANDS
- 10. GUERNSEY

Source: Tax Justice Network

TOP 5 FASTEST-GROWING AFRICAN COMPANIES IN 2022 (based on average annual growth rate)

- 1. WASOKO (KENYA) +346.2%
- 2. FLOCASH LTD. (KENYA) +274.7%
- 3. AFEX COMMODITIES EXCHANGE LTD. (NIGERIA) +252.8%
- 4. THE AFRICAWORKS GROUP OF COMPANIES (SOUTH AFRICA) +238.1%
- 5. EDCREST CAPITAL LTD. (NIGERIA) +151%

Source: Financial Times



\$100 BN

Valuation reached by the Chinese fashion giant Shein – more than H&M and Zara combined.

SCANS



1.5 TN

Total lending (in dollars) provided by commercial banks to the coal industry worldwide between January 2019 and November 2021. Ten of the 12 biggest lenders are signatories to a treaty supporting net-zero emissions by 2050.

autonomous cars SELF-DRIVING MERCEDES

Autonomous driving becomes a reality with the Mercedes EQS and S-Class.



MERCEDES

As of May in Germany, drivers can legally read the newspaper while at the wheel of a Mercedes S-Class or EQS using "Drive Pilot", the first Level 3 conditionally automated driving system to earn international approval. However, several driving conditions must be met: the road must be closed to pedestrians and cyclists, have a physical separation between the two directions of traffic

(barrier or central reservation), and have a speed limit of up to 60 km/h. For now, that means the technology can only be used on the motorway when traffic is very dense. But the approval puts Mercedes ahead of its rivals, especially Tesla, which is stuck at Level 2 and whose driving assistance system has drawn criticism from the US regulator.

— DMLRY



"People are starving in Africa because we are eating more and more organic products"

Erik Fyrwald, CEO of Syngenta, told NZZ.

SHUTTERSTOCK



pharma

LSD ABOUT TO TRIP OUT THE STOCK MARKET

Psychedelics have long been confined to raves and other festive experiences. But today, several companies have begun to develop medical treatments containing substances such as LSD, ketamine, MDMA (ecstasy) or psilocybin. In the United States, more than 400 clinics already offer therapies based on ketamine, a psychotropic drug used to treat severe forms of depression. In the past two years, more than \$200 million have been raised to develop the sector. The UK start-up Eleusis, which mainly develops LSD therapies, is set to go public via a SPAC in the third quarter of 2022. It plans to use the anti-inflammatory properties of psychedelics to treat asthma, atherosclerosis and retinal diseases. — ELEU



2.113 TN

Military spending worldwide exceeded \$2 trillion for the first time ever in 2021, up 0.7% on the previous year, according to the Stockholm International Peace Research Institute (SIPRI).



"The Golden Arches will shine no more in Russia"

Chris Kempczinski, CEO of McDonald's, announced on 16 May that the company would cease operations at its 850 restaurants in Russia, which stood as symbols of the opening up of the former USSR to the world. They account for 10% of the company's revenue.

virtual reality

NVIDIA GETS SWISS AVATARS

An avatar of the startup Animatoco, capable of real-time interaction with a human.

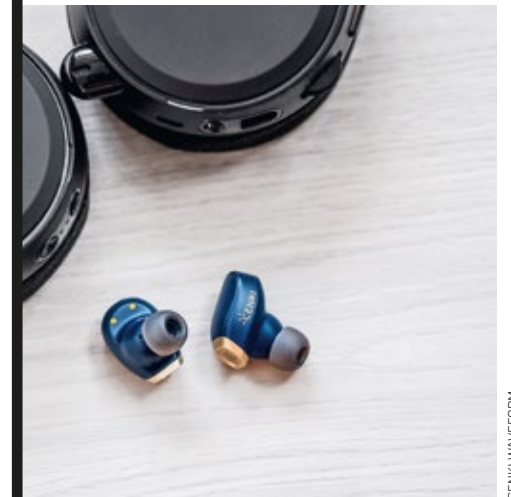


ANIMATOCO

ETH Zurich spin-off Animatoco was taken over by Californian giant Nvidia. Founded in 2019, this startup creates digital avatars that can interact with humans directly based not only on what they say, but also on their gestures. Its clients already include Hotelplan and the hotel chain CitizenM, for which it designed Vincent, a virtual concierge that can book taxis from the lobby of its Zurich hotel. The terms of the takeover were not disclosed, but some employees now hold senior positions at the microprocessor manufacturer's Avatar division.

— NVDA

KICKSTARTER



GENKI WAVEFORM

GENKI WAVEFORM EARPHONES FOR MULTITASKING

More than ever before, we can engage with two screens, or even two gadgets. But until now, we have not been able to listen to more than one device at a time with Bluetooth earphones. Now, Genki's Waveform earbuds bring a real innovation. With the Dualstream feature, users can stream audio from two devices simultaneously (not just switch between two audio connections). Originally designed for gaming, the earbuds have potential applications in so many other areas, such as listening to music during a boring video conference. Now in its fourth Kickstarter project, Genki is catering to its original audience by integrating the fastest Bluetooth chip on the market, made by Qualcomm, as well as the aptX Adaptive codec, which transmits quality sound with a latency four times lower than the current industry standard.

FUNDS RAISED
\$822,146

AVAILABLE
AUGUST 2022



“An initial interest-rate hike could come in July. And other rate hikes could soon follow”

Joachim Nagel, president of Germany's central bank, on 20 May.



Pulp manufacturer Metsä Group's current plant in Finland. Veolia's biorefinery will be joining it.

metaverse

META'S FIRST PHYSICAL STORE



The first Meta Store has opened its doors in California.

META

Meta, formerly Facebook, has opened a store to sell its metaverse near its Burlingame (California) campus, home of its virtual reality division. And it is the first of many. At this location, customers can test a selection of Meta products, including the Quest 2 virtual reality (VR) headset and Ray-Ban

Stories smart glasses. Ironically, Meta is promoting virtual reality in a very physical space. But customers need equipment to enter these virtual worlds... So Mark Zuckerberg's firm has every reason to get its VR hardware into as many hands as possible.

FB

biofuel

TURNING PAPER PULP INTO BIOMETHANOL

By 2024, the French group Veolia plans to produce biofuel from paper pulp, a solution that has not yet been widely used. It has been developed in collaboration with a subsidiary of the Finnish paper and pulp manufacturer Metsä Group, which is also the largest cooperative forestry association in Europe. Veolia's biorefinery will be adjacent to Metsä's Äänekoski plant and forecasts annual production of 12,000 tonnes of CO₂-neutral biomethanol, making it the largest project of its kind in the world. Veolia says the concept is replicable at 80% of the world's pulp mills, representing an estimated potential of 2 million tonnes of biomethanol per year.

VIE

machine learning

AI BEATS BRIDGE CHAMPIONS



80%

A study by Trend Micro found that 80% of Swiss companies and 76% of companies worldwide expect to suffer a cyber-attack in the next 12 months.



NUKKAI

After chess, poker and Go, artificial intelligence asserts its supremacy in bridge. Eight world champions of the card game have lost to an AI system developed by

the French startup NukkAI in partnership with the French arms manufacturer Thales. Stephen Muggleton, professor of machine learning at Imperial College London, is quoted in *The Guardian* as saying that this is “a fundamentally important advance in the state of artificial intelligence systems”. Bridge is considered the most complex card game to be reproduced by a machine. To accomplish that, a specific learning system was developed. The AI system bases its decisions on incomplete information, which is one of the main characteristics of bridge. — HD

VOD

THE GOLDEN AGE OF VIDEO STREAMING ISN'T OVER YET



NETFLIX

A scene from *Ozark*, one of Netflix's flagship series. The Los Gatos firm is being now shaken up by Disney.

Has streaming's fast-paced growth come to an end? When Netflix's quarterly results were published on 19 April, the reaction was disappointment. The American pioneer in video on demand (VOD) announced that for the first time in 10 years it had lost 200,000 subscribers in just three months, whereas analysts had predicted an increase of 2.5 million. On 19 April alone, Netflix shares fell 25% (60% year-on-year, from May to May), with the company's rivals – including Walt Disney – trailing behind in its wake. It's a sign that the markets are worried about the future of the entire sector. But despite the difficulties encountered by Reed Hastings's

company, VOD doesn't appear to be on the wane just yet. According to a forecast published by the Irish consultancy Digital TV Research in May, the number of subscribers worldwide is expected to increase by 485 million to 1.69 billion by 2027. Netflix will likely add 31 million subscribers to reach 253 million by 2027. One noteworthy change is that Disney+ will likely become the leader in the sector, with 274 million subscribers by 2027, versus 137.7 million currently. This shift is already underway: Disney announced in early May – just a few weeks after Netflix published its results – that its streaming platform saw a 33% increase in subscribers over the past year. — NFLX — DIS



“Apple so far has not really played nice with crypto, they've actually banned a bunch of features that we would like to have in the app, but they just won't allow it — so there's potential antitrust issues there”

Brian Armstrong, CEO of Coinbase, 22 April 2022.

SCANS

telecoms

SWITZERLAND LAGS IN 5G

Independent research firm Opensignal found that 5G is not worth it for Swiss consumers. The experience is compromised by the poor signal, which is due to tighter regulations on mobile network electromagnetic emissions, and – without more accommodating legislation – the lack of cell towers to offset the situation. Signal strength is therefore much higher in the European Union, where authorised

power level limits are 10 times higher. In addition, thousands of actions have been filed to oppose the installation of new cell tower sites in Switzerland. With the recent relaxation of power regulations, 7,500 more are needed (compared with 26,000 previously). 5G continues to divide the Swiss population, with 41.7% who oppose it, according to a Comparis survey published in May.

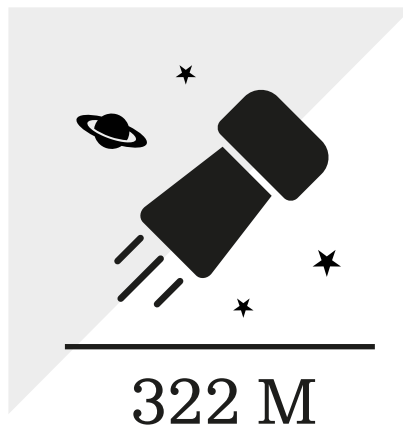
A 5G network antenna on a building in Bellinzona. This type of equipment is still rarely installed in Switzerland.



“We are pushing our hotel owners to immediately raise their prices”

Sébastien Bazin, CEO of Accor, the sixth-largest hospitality company worldwide and owner of the brands Novotel, Sofitel, Mercure, Ibis, Fairmont, Mövenpick, Raffles, and Jo and Joe.

ISTOCK



322 M

Number of champagne bottles sold in 2021, up 32% versus 2020, and 8.3% versus 2019.

IPO

LHYFE: IPO FOR GREEN HYDROGEN

Since the war in Ukraine began on 24 February, few companies have dared to launch an IPO to raise capital. With high uncertainty and a general decline in the markets, now is not a great time to float. But the current climate also presents a window of opportunity for players such as Lhyfe, a small company based in Nantes. A pure player in the production of green hydrogen, the French company took advantage of the energy crisis provoked by the war to float on the Euronext market in Paris on 20 May. Europe plans to stop

using Russian gas and will likely undertake a massive transition in the future to renewable energies and green hydrogen, which offers bright prospects for Lhyfe and other players in the sector (see *Swissquote Magazine*, September 2020). And yet, the company's IPO was not as successful as hoped. The share price for the producer and supplier of green hydrogen was set at €8.45, slightly below the expected band of €8.75 to €11.75. Since then, the share price has been relatively stable.

— LHYFE

HUBLOT



HUBLOT

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SPIRIT OF BIG BANG

18K yellow gold case.
Self-winding chronograph movement.

TRENDS



the figure

DENIS MACHUEL

An easy-talking engineer to get Adecco back on track

Position
CEO

Age
58 years

Nationality
French

Despite returning to profit in 2021 (€586 million net), the share price of the world's leading temporary staffing player continues its slow and inexorable fall, which began almost a year ago. Salvation could come in the form of new CEO Denis Machuel, described as a charismatic leader with long-standing experience in both services to global businesses, and technological and engineering consulting. A Reims-born comics fan (Hamme, Bilal and Bec), this engineer by training – a graduate of Ensimag engineering school in Grenoble with a Master of Science degree from Texas A&M University – is well-known for his team spirit and plain speaking. Denis Machuel previously headed up Sodexo, the world's second-largest mass catering company, where he spent more than 16 years. He helped to bring a number of segments back on course and led the group's digital transformation.



the country

ITALY

Underwater treasure in the Adriatic Sea

Italy is one of Europe's biggest consumers of gas, which it primarily uses in its electric power plants, and the country imports 95% of its supplies – including 45% from Russia. But the paradox of the situation is that Italy is one of the only countries in the world to have gas deposits that it has not exploited. In the northern Adriatic alone, 50 billion cubic metres of gas could be harnessed almost immediately. Croatia has already begun pumping gas

from this shared gas field with the aim of becoming a major European gas supplier, while Italy's production is blocked by a moratorium imposed by the government in 2019 due to environmental concerns and earthquake risks. However, Italy has plenty to celebrate thanks to its booming startup scene. Total funds invested in 2021 exceeded €1 billion for the first time, reaching €1.2 billion, with figures from the first quarter confirming the trend: investments worth €420 million, an increase of 35% compared to the same period last year.

Population
59,449,527
(2020)

GDP per capita
\$31,770 (2020)

Growth
-8.9% (2020)

Main economic industries
Services and tourism, industry (luxury goods, precision machinery, automotive industry, chemicals and pharmaceuticals, textiles), agriculture (rice, fruit, vegetables, wine)

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ANALYSIS

SPECIALISTS' VIEWPOINT

FOCUS

Going public is no longer the end goal for startups

A growing number of companies are shying away from IPOs and turning instead to private financing platforms. Major stock exchanges are trying to curb the damage.

BY JULIE ZAUGG IN LONDON

We don't often see innovation from a venerable institution like the London Stock Exchange, which was founded in 1698. However, in mid-March the LSE announced that it was planning to create a new exchange for private firms. Launched in partnership with the startup Floww, the platform will enable unlisted companies to present their financial information in a standardised format. "Companies on the platform will be able to raise funds from investors and sell shares that can be traded on the platform as a secondary market," says Umerah Akram, head of private markets and product development at the London Stock Exchange. She believes that this platform could become "an intermediary space, a sort of bridge, which would facilitate the transition of companies between the private and public world".

This is not the first initiative of its kind. Back in 2013, the Nasdaq created its own private exchange, Nasdaq Private Market, which

went independent last year. Since its founding, the marketplace has facilitated transactions worth \$40 billion. However, it has set a number of restrictions. To list, companies must be profitable and have raised at least \$30 million in the previous two years or have a valuation of more than \$50 million.

Several US startups have taken this route, such as EquityZen, CartaX, ClearList and ForgeGlobal. In Europe, the sector is dominated by Seedrs, a UK firm founded in 2012 which launched its secondary market in 2017. "Some 600 companies have sold €20 million (24 million Swiss francs) worth of shares on our platform since then," notes Kirsty Grant, chief investment officer at Seedrs. "Most are fintechs or insurtechs, but we also have companies active in food services and consumer goods." The neo-bank Revolut alone is behind €7.6 million in transactions.

These secondary markets do not quite work like a traditional stock exchange. "On Seedrs, trading can

only take place during one week a month," Kirsty Grant says. "The price of each share is set by the marketplace based on the company's valuation and cannot be raised. Nor is it made public."

"The amount of private capital available to startups has exploded"

Patrick Reinmoeller, professor of strategy and innovation at IMD Business School in Lausanne.

The field is still largely experimental, says Patrick Reinmoeller, professor of strategy and innovation at IMD Business School in Lausanne. "The private firm generally retains the right to determine who can acquire its shares. It may also only allow shares to be sold to existing shareholders, investors or employees, or require approval from all shareholders prior to a deal."



A relaxed atmosphere at British company Seedrs, the European leader in private financing. Hundreds of startups have already raised funds through this platform, rather than looking to go public.

Despite these restrictions, private share trading has taken off. Demand is fuelled by the growing number of firms choosing to forego or delay an IPO. "The trend started in the United States, where the number of publicly traded companies has fallen by 50% since the late 1990s," says Jerry Davis, professor of business administration and sociology at the University of Michigan. "It then spread to Europe in the wake of the dot com bust and the 2008 financial crisis."

So far, only the Chinese and Indian stock exchanges have not followed suit. In 2019, the United States had 4,266 listed companies, compared to 8,090 in 1996. The World Bank estimates that the number fell from 744 to 438 in Germany between 2000 and 2020, from 2,430 to 2,030 in the United Kingdom, and from 252 to 236 in Switzerland.

This distaste for public markets comes from a number of recent developments. "The amount of private

capital available to startups has exploded," Patrick Reinmoeller says. "Loose monetary policies in place since the 2008 crisis have given companies easier access to cheap credit. Private equity and venture capital firms have also grown rapidly." In 2021 alone, they invested \$1.72 trillion worldwide.

Many startups, especially in digital technology, feel it simply no longer makes sense to list on the stock exchange. "For these companies, information is their main raw material. They don't have factories, trucks or warehouses, and can operate with a limited workforce," says Anup Srivastava, a market expert at the University of Calgary. "So they don't need to turn to public markets to raise large amounts of capital."

Instead, they need investors who are prepared to support them through thick and thin, i.e. even when they post losses for several consecutive quarters. "That kind of support is

easier to find in private equity than on public markets, where investors demand quick returns," the assistant professor says. Making matters worse is the fear of activist investors wreaking havoc with company strategy and ever-tighter reporting requirements for stock exchanges, following scandals such as Enron in 2001.

Private trading platforms therefore provide an ideal alternative. "They give companies exposure to a much larger pool of investors than traditional fundraising," notes Reinmoeller. They also provide a way for employees and backers to convert their shares into cash, without waiting for the company to go public.

Furthermore, investors can access high-growth companies that would otherwise be out of reach. "Venture capitalists usually require a minimum investment of €100,000," Kirsty Grant says. "On Seedrs, you can invest as little as €10." The average investment is €3,000. ▲

FOCUS

The Cassandras forecast a storm

Against the backdrop of the World Bank's fears of a repeat of 1970s stagflation, more and more finance oracles are openly pessimistic.

BY STANISLAS CAVALIER

“That hurricane is right out there down the road coming our way. We just don't know if it's a minor one or Superstorm Sandy [which devastated New York in 2012]... You better brace yourself.” On Wednesday 1 June, Jamie Dimon, CEO of US bank JP Morgan, had a vision of a hurricane threatening to devastate the global economy. A day later, Goldman Sachs COO John Waldron, while avoiding “any weather analogies”, expressed similar concerns. “We expect there's going to be tougher economic times ahead (...). No question we are seeing a tougher capital-markets environment.”

Then came the message from Tesla's boss. And when he talks, people pay attention. In an internal email, disclosed by Reuters on 3 June, Elon Musk confided to company executives that he had “a super bad feeling” about the economy and needs to cut about 10% of salaried staff, in a memo titled “Global Hiring Suspension”. In Greek mythology, Cassandra was a prophetess with the gift of predicting the future, but had a curse ensuring that her prophecies were never believed. How might that apply today? Are we about to be hit by a hurricane that was accurately foretold by the Cassandras?

Tough to say. In the aftermath of the pandemic, the current situation – with the war in Ukraine, blockades in China and disrupted supply chains, is unprecedented. “This is among if not the most complex, dynamic environment I've ever seen in my career,” said John Waldron of Goldman Sachs. “The confluence of the number of shocks to the system to me is unprecedented.”

“This is among if not the most complex, dynamic environment I've ever seen in my career”

John Waldron, COO of Goldman Sachs

In its “World Economic Report”, published on 7 June, the World Bank believes that we are entering an era of weak growth and high inflation – a situation known as stagflation – comparable to the scenario of the 1970s. “The danger of stagflation is considerable today,” the institution writes. “Between 2021 and 2024, global growth is projected to have slowed by 2.7 percentage points – more than twice the deceleration between 1976 and 1979.”

In that historical precedent, sharp interest rate hikes were needed in most advanced economies to recover from stagflation, triggering a spate of financial crises. “For many countries, recession will be hard to avoid,” commented World Bank President David Malpass. Then he continued, “Even if a global recession is averted, the pain of stagflation could persist for several years – unless major supply increases are set in motion.”

The World Bank estimates that crude oil prices jumped 350% in nominal terms between April 2020 and April 2022. That equates to the largest increase over an equivalent two-year period since 1973. As a result, while global inflation is expected to slow next year, rates are likely to remain above target in many countries.

In reaction to this gloomy outlook, the market enthusiasm of 2021 has given way to a sense of trepidation, especially in the technology sector. Since the beginning of the year, the Nasdaq (a technology-driven index) has lost nearly 25% of its value (as of 15 June), while the S&P 500 is down 20%. And in Switzerland, the SMI, the flagship index of the Zurich stock exchange, has fallen more than 15%. ▴

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Switzerland's aeronautical gem

Montana Aerospace produces essential structural components for Boeing and Airbus aircraft. Its business model, which includes all stages of manufacturing from recycling of raw materials to providing turnkey deliveries to its customers, has no equal in the sector.

BY LUDOVIC CHAPPEX

A unique business model, rising market share and an order book that's bursting at the seams. Swiss company Montana Aerospace has plenty of assets to attract investors. The Reinach-based company, a division of the Montana Tech Components group, which also owns the Varta and Aluflexpack brands, manufactures components for the heavyweights of the aeronautical industry – with clients including Boeing, Airbus,

Premium Aerotec, Bombardier and Embraer. The Swiss company delivers metal components – aluminium, titanium and steel – which are then used in various parts of their aircraft, such as the fuselage, wings and landing gear, as well as certain engine components.

The Aargau firm may not be well known among private investors, despite its respectable size with 6,800 employees and a presence in 32 countries, but this is because it has only just celebrated its first anniversary of ▶



Boeing's current best-selling 737 MAX is loaded with components supplied by Montana Aerospace. The American manufacturer must deliver 336 models of this type in 2022, and 492 in 2023.

IN FIGURES

6,800
 The number of employees worldwide, of which approximately 300 are based in Switzerland.

32
 The number of sites the company has worldwide.

790.5 M
 2021 revenue in euros.

+44%
 The year-on-year increase in revenue as of Q1 2022, at €243.3 m.

being listed on the Swiss exchange, with its IPO taking place on 12 May 2021. The majority of financial analysts tracking the company recommend purchasing shares, believing it offers significant potential. “I believe in this story,” says Ross Law from German investment bank Berenberg, which produced a highly detailed report on the Swiss company. To put things in perspective, Montana Aerospace has in its pipeline a volume of signed contracts approaching 5 billion euros for the next decade.

After the pandemic had a major impact on the aeronautical industry, with new aircraft production volumes falling by 30-40% in 2020 alone, a number of specialists currently find its long-term outlooks very appealing. One element is that the sector, renowned for its cyclical nature, has visibly changed over the last two decades: its production rates are now much more stable, COVID aside. In a publication from April 2021, Todd Saligman, an analyst at Capital Group, highlighted that demand for airliners had gone global and that this demand was based more than ever on replacing old models, making it more linear and predictable.



Michael Pistauer (left) and Kai Arndt, CFO and COO of the group respectively, will officially take over as co-CEOs on July 1, replacing former boss Markus Nolte. The two men know each other well and have a good relationship. Kai Arndt will be responsible for the aerospace sector while Michael Pistauer will handle the Energy and E-Mobility sectors and will remain the group's CFO.

The other major upheaval taking place concerns the widespread consolidation of the aeronautical sub-contracting sector, which is

reminiscent of the process that took place in the automotive sector 30 years ago – an assessment shared by the two new co-CEOs of Montana Aerospace, Michael Pistauer and Kai Arndt, in an interview conducted via Zoom. “The aeronautical sector is still highly fragmented – it is made up of thousands of small sub-contractors who employ a few dozen people each on average, but this situation is changing very quickly,” says Michael Pistauer. “The strong increase in the number of aircraft manufactured by Airbus and Boeing means that industrial production has become necessary, and that is something these small sub-contractors cannot deliver alone.”

And in response, the Aargau-based company has shown a certain appetite for acquisitions. Last year, it purchased five companies, allowing the firm to perfect its expertise in a range of fields, such as titanium alloy production through French

A Montana Aerospace production site in Romania. Eager to increase its energy independence, the firm plans to install photovoltaic panels on its factories in the country.



manufacturer Cefival, and automation and robotics with its acquisition of Austrian firm IH Tech. But the biggest catch of 2021 was its Belgian competitor Asco, a leading supplier of structural components for the aeronautical industry, with 1,200 employees.

But to better understand why Montana Aerospace has so much wind in its sails, and what sets it apart from the other major suppliers in the aeronautical sector, it is crucial to focus on its way of working. And the answer lies in just two words: vertical integration. From recycling raw materials to assembling the finished product, including everything from extrusion to CNC machining and surface treatment, the Swiss company carries out all the logistical steps involved in production itself, rather than the traditional approach in which multiple providers carry out tasks in turn. Let's take the example of a titanium air-

craft seat track. Montana Aerospace reports that its operating approach eliminates 5 sub-contractors from the logistics chain, shortening the delivery timeframe by around 50 weeks and saving 15,000 km of transport, simultaneously reducing the CO₂ footprint by 60% as a result. Ross Law, the Berenberg analyst, agrees: “Montana Aerospace offers something totally unique.

“One of our benefits is that we’ve built our concept from a blank page”

Kai Arndt, co-CEO of Montana Aerospace

Competing firms such as Britain’s GKN and Senior or Austrian company FACC don't offer this type of integration.” Might they get ideas?

Co-CEO Arndt doesn't think so: “One of our benefits is that we’ve built our concept from a blank page, over more than a decade (see also inset on p. 24). If others want to imitate us, they'd have to develop an entirely new setup while continuing their business activities. That doesn't seem realistic to me.” And the Co-CEO thinks the chance of seeing new companies emerge is even slimmer: “I spent 30 years working on the other side of the table, at Airbus. I know just how difficult it is for a sub-contractor to get all of the necessary certifications. I also know that for companies such as Airbus and Boeing, having a single contact rather than having 5 or 6 companies involved is a huge advantage.” Pistauer, his fellow co-CEO, agrees wholeheartedly: “The barriers to entry in this sector are enormous. Over the last two years alone, we have invested over 580 million Swiss francs to improve our system, including our infrastructure and our machines.” >

A CONGLOMERATE IN THE MAKING

In addition to aeronautics, Montana Aerospace has two other divisions: E-Mobility and Energy. These two units are less significant in terms of future growth, currently representing under 10% of capital employed, although they contributed to over 60% of 2021 revenue. The E-Mobility division produces the aluminium structures used to house electric vehicle batteries, including for Audi, Mercedes and BMW. The Energy division specialises in copper processing (including coils and components for transformers and generators).

Montana Aerospace owes this diverse profile to its origins. The firm is an offshoot of Aargau-based company Montana Tech Components, which currently includes Montana Aerospace, Varta and Aluflexpack. The group was founded in 2007 by Austrian businessman Michael Tojner and his company Global Equity Partners. The initial project was to create an industrial group through targeted acquisitions, with notable purchases including Varta and Alu Menziken acquired from 2007. Montana Tech Components currently owns a 52.3% share in Montana Aerospace.



An employee at an assembly site.

For Montana Aerospace, the outlook looks clear for the next few quarters. The company aims to increase its turnover to €1.1 billion in 2022 – compared to €790.5 million last year – and over €1.4 billion in 2023. “Our order book is completely full for this year, and it’s nearly full for next year too,” says Arndt. “We can be extremely selective in terms of the orders we take, which means we can accept contracts where we know we can give 100% performance.”

And what’s next? Montana Aerospace’s management has announced it intends to slow down its acquisitions for a while. “Over the next two years, we’re going to grow in influence by focusing on carrying out contracts and integrating the companies we’ve acquired,” says Pistauer. “When we went public, we said we were going to be a game-changer in the aeronautics business. A year later, it’s clear that the statement was definitely true.” ▲

ANALYST OPINIONS

“AN ATTRACTIVE VALUATION”

Montana Aerospace posted strong Q1 results, with revenue exceeding pre-COVID levels at €243.3 million (+44% on the previous year) and an adjusted EBITDA of €16 million (+68%). Like the majority of analysts tracking the share, Benjamin Heelan from Bank of America has issued a BUY recommendation, believing that the current valuation (around CHF 16) is attractive, with a price target of CHF 40.

“Overall, we believe that the medium- and long-term outlooks for the aerospace division are extremely attractive and conducive to growth and increased profitability,” says Heelan. However, Bank of America highlights the fact that the rise in energy prices and transport costs, as well as labour shortage in the United States, are key elements to watch in 2022.

Montana Aerospace reports that it is able to compensate for this situation, since the company has built up its stocks in recent months in response to supply chain disruption – enough, it claims, to maintain production for around 18 months.

The Swiss company is also well placed to manage raw material inflation, as it has clauses that allow it to pass on increased costs in a significant portion of its contracts. “Given Montana’s extensive control over its raw material sources and its high stock levels, we believe that the company will be able to step in if other suppliers struggle to keep up with the pace,” adds Heelan.

At Berenberg, the analyst Ross Law also believes that Montana Aerospace is better positioned than

its competitors to absorb current price increases, most notably due to its vertically integrated value chain. The company aims to increase its turnover to €1.1 billion in 2022 – compared to €790.5 million last year – and over €1.4 billion in 2023. It has also announced an increase in production, thanks in particular to two new plants in Romania and Vietnam, in response to “the strong increase in demand from major aeronautical manufacturers, whose production figures are gradually approaching pre-pandemic levels.” Montana Aerospace has also clarified that it has no sites in Russia, in Ukraine, or in countries cut off from Russian gas, such as Poland or Bulgaria. Its exposure in Russia and Ukraine is less than 1% of its total sales.

— AERO

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DOSSIER

SMALL CAPS
**SMALL IN SIZE
BUT NOT IN
STRENGTH**

Over the long term, small caps perform better than large firms on the stock market. We take a closer look...

BY BERTRAND BEAUTÉ

- 32. Infographic: Explosive growth
- 34. A variety of small caps
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- 44. Paying to exist
- 46. Big profits from small companies

Dossier prepared by
Bertrand Beauté
and Julie Zaugg.

The performance of stock market giants such as Apple, Tesla or Nestlé is under constant surveillance by the business press and financial analysts. In contrast, thousands of smaller companies, referred to as small caps for their small market capitalisations (see opposite), are sometimes overlooked.

Globally, small caps represent 80% of listed companies, according to index provider MSCI, but only 14% of total market capitalisation and less than 5% of traded volumes, while large and very large caps represent 6% of listed companies and 80% of total market capitalisation.

However, small does not mean insignificant when it comes to investment. “Over the long term, small caps deliver far higher returns than those of large companies on almost all equity markets worldwide,” says Raphaël Moreau, Sextant PME fund manager at Amiral Gestion. “Over the last 20 years, small caps have immensely outperformed large caps.”

A look at indices can confirm that. The value of Switzerland’s SMI, which includes the country’s 20 largest listed companies, increased almost seven-fold between 1996 and the end of 2021. This is a solid performance, but significantly lower than that of small and medium-sized companies. Over the same period, the SPI Extra – an index that measures

the development of small and medium-sized Swiss companies not listed on the Swiss stock exchange – appreciated by a factor of 10. The same is true in the rest of Europe, where the MSCI Europe Small Cap Index has delivered net income growth of more than 500% over the last 20 years, compared with around 200% for the MSCI Europe Large Cap Index (see infographic on p. 32).

"Small cap stocks can be sleeping beauties on the stock market"

François Mollat du Jourdin, chairman and founder of multi-family office MJ&Cie.

Why such a huge difference? “Basically, small caps are small companies. It’s easier for a company to double revenue of only a few million dollars than revenue that’s already in the billions,” says Bart Geukens, portfolio manager for European small caps with asset management company DPAM. “Small caps grow at a faster rate than large caps.” For example, asset manager DNCA Investments estimates that small companies in the MSCI Europe Small Cap Index grew 10% on average between 2019 and 2021, compared to a 2% decline for large and medium-sized companies in the MSCI Europe Index.

Furthermore, the fact that small caps are covered less by analysts and the business press instills hope that there are gems that have remained hidden until now. “Small cap stocks can be sleeping beauties on the stock market,” says François Mollat du Jourdin, chairman and founder of the family office MJ&Cie. “Some of these companies are under-valued because the market is not interested in them, despite their growth potential.” For instance, the Basel-based pharmaceutical firm Roche is tracked by more than 20 analysts, while the Lausanne-based biotech company AC Immune, which develops treatments for Alzheimer’s and Parkinson’s disease, is only monitored by three experts. This lack of coverage of small companies tends to make their share prices more attractive than those of the stock market giants. “In terms of net assets, small caps are 20% cheaper on average than large caps,” Raphaël Moreau says.

But on the stock market, a good deal depends less on purchase price than on growth potential. “When we invest in small caps, we want to unearth the next Logitech,” says Guillaume Chieusse, head of Oddo BHF Active Small Cap, with a smile. “We’re looking for a company with little or no analyst coverage that is developing under the radar, but that will grow to become an international giant.” ▲

WHAT DEFINES “SMALL”?

Although the term “small cap” is used widely in finance, its exact meaning remains vague. “There is no clear definition for small caps,” says François Mollat du Jourdin, chairman and founder of the multi-family office MJ&Cie. “The rules differ according to the financial players.” For example, in Europe, companies with a market capitalisation of less than \$2 billion are generally considered small caps. Mid-caps are worth between \$2 billion and \$10 billion in market capitalisation, and large caps are valued at more than \$10 billion.

However, this arbitrary classification does not apply to the enormous US market. As valuations can exceed \$1 trillion, a \$10 billion market capitalisation cannot be classified as a large cap. The Russell 2000 index, a benchmark in the US, defines small caps as the 2,000 smallest

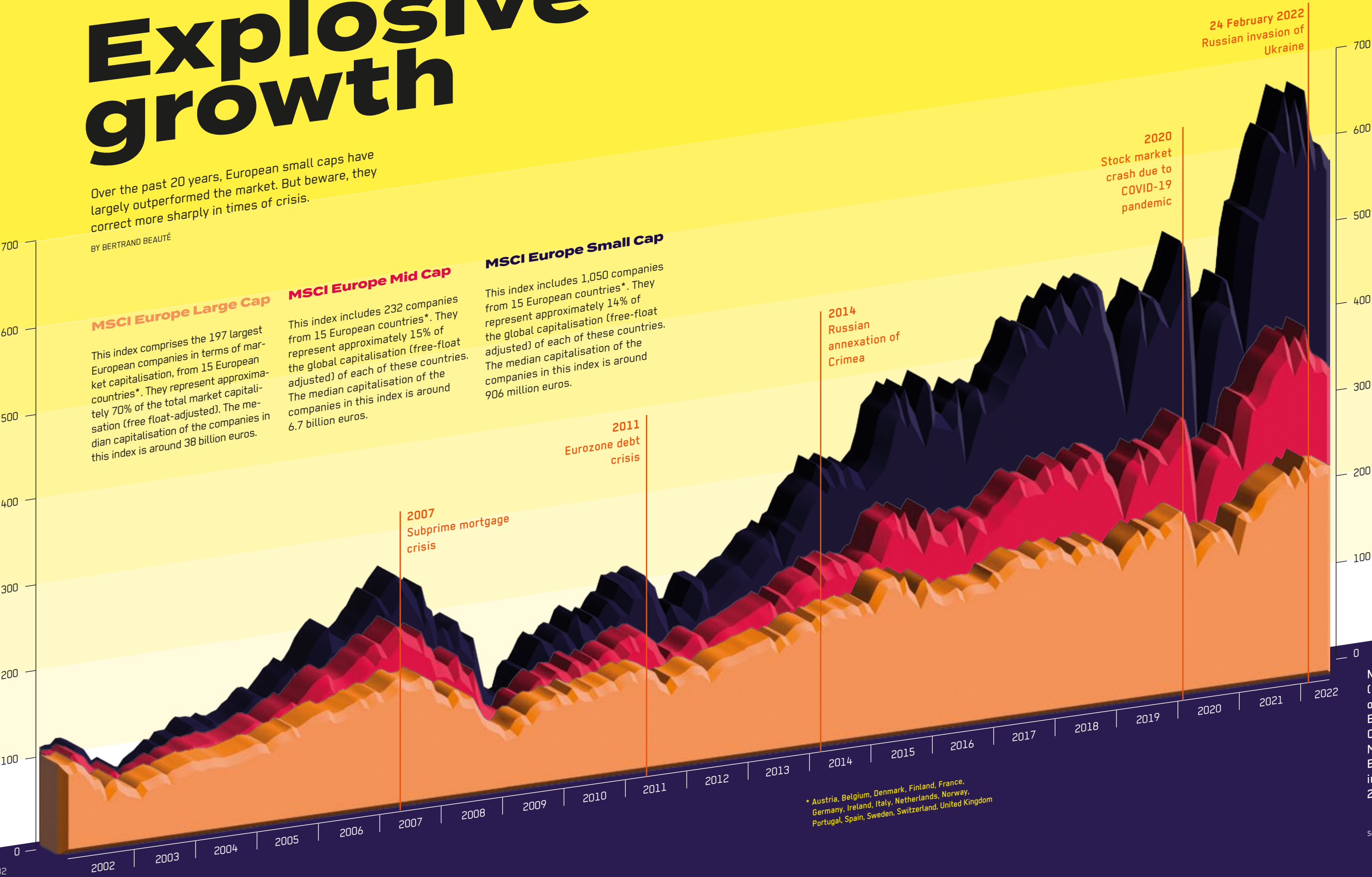
US companies by capitalisation. Going with that definition, the average market capitalisation of US small caps was \$3.127 billion in April 2022, and the largest was worth more than \$15 billion.

But again, that definition is not appropriate for all countries. Some markets, like Switzerland, only have 2,000 listed companies. Another approach is that of index provider MSCI, which has the advantage of applying anywhere. MSCI defines small caps as the smallest companies in a market, which together account for 14% of the total market capitalisation. To illustrate that, the MSCI Europe Small Cap Index comprises 1,050 companies and has an average capitalisation of \$1.364 billion, while the MSCI USA Small Cap Index represents 1,933 companies and has an average capitalisation of \$2.249 billion.

Explosive growth

Over the past 20 years, European small caps have largely outperformed the market. But beware, they correct more sharply in times of crisis.

BY BERTRAND BEAUTÉ



A VARIETY OF SMALL CAPS

Often neglected by investors, the world of small caps offers some potential gems. Here's an overview of the European small companies we highly recommend.

BY BERTRAND BEAUTÉ

Family business

GUILLIN PACKAGES FOOD

A European expert in food packaging, the French company remains majority owned by the family of its founder.

FOUNDED
1972

HEADQUARTERS
ORNANS (FR)

EMPLOYEES
2,900

2021 REVENUE
€ 741 M

CAPITALISATION
€ 410 M

—/— ALGIL

Over the last five years, French group Guillin has seen its share price drop by half. This is paradoxical since over the same period the company's revenue grew from €599.6 million in 2017 to €740.9 million in 2021, an increase of nearly 25%. The global leader in Europe for plastic food packaging, the company is a victim of market timing, since plastic is no longer considered an acceptable material and investors are increasingly moving away from plastic-related companies.

At other companies, a drop in share price would lead to a questioning of management. Not at Guillin. Founded in 1972 by François Guillin, the eponymous company is still majority owned by the family, particularly his daughter Sophie who became CEO in 2013. This family shareholding system avoids the risk of a hostile takeover or disruption from shareholder-activists. Another advantage is that despite its fall on the market, the family company continues to have a long-term strategic vision.

While defending its core business of recyclable plastic packaging, Guillin is investing massively to develop new packaging solutions using cardboard, paper, organic fibres and bioplastics. The company, which supplies McDonald's France with its famous cardboard containers for fries, is also benefiting from the uptick in take-out and delivery food in Europe.

CTT SYSTEMS IN AIRCRAFT CABINS

A unique, emblematic product

Like many small caps, the Swedish company focuses on just a handful of products designed for commercial aeroplanes.

Why does your throat go dry and do your eyes get itchy on aeroplanes? One of the reasons for this discomfort is the low relative humidity inside the cabin due to altitude. For humans to feel comfortable, air humidity has to be at least 20%, whereas humidity can drop to around 5% in aircraft cabins. To solve this problem, the Swedish company CTT Systems has developed an air humidifier for aeroplanes that is installed in the ceiling of cabins and raises the humidity level to 22%.

Since the late 1990s, several airlines have turned to products from CTT Systems in order to improve passenger comfort. In 2000, for example, Swedish company SAS installed humidifiers in its Boeing 767s.

That was the start of CTT Systems' success. By 2019, the company had already installed more than 3,000 humidifiers in cabins, and each sale generated recurring revenue for maintenance. Moreover, CTT doesn't just work with airlines that want to improve their aircraft. It also supplies humidifiers to giants Airbus and Boeing, which now offer humidifiers as an option on their new models. As a result, 85% of B787s leaving Boeing factories are now equipped with a CTT Systems humidifier.

In 2021, the company generated 151 million Swedish kronor (€14.5 million) in revenue, down 25% compared to 2020 due to the pandemic. But the outlooks are appealing, given the strong return in air traffic. "There has been increased emphasis on health and hygiene in public environments, particularly on board aircraft, in the wake of the pandemic," said Torbjörn Johansson, CEO of CTT Systems, in the company's annual report. "This has led to greater interest in air quality on board and how the cabin climate can be improved in order to enhance well-being." This has boosted sales of the small Swedish company, which also sells a device to reduce cabin condensation. In Q1 2022, CTT Systems generated a profit of 49.2 million kronor, up 56% year-on-year.

The humidifiers developed by CTT Systems have become almost standard equipment on Boeing 787s.

FOUNDED
1991

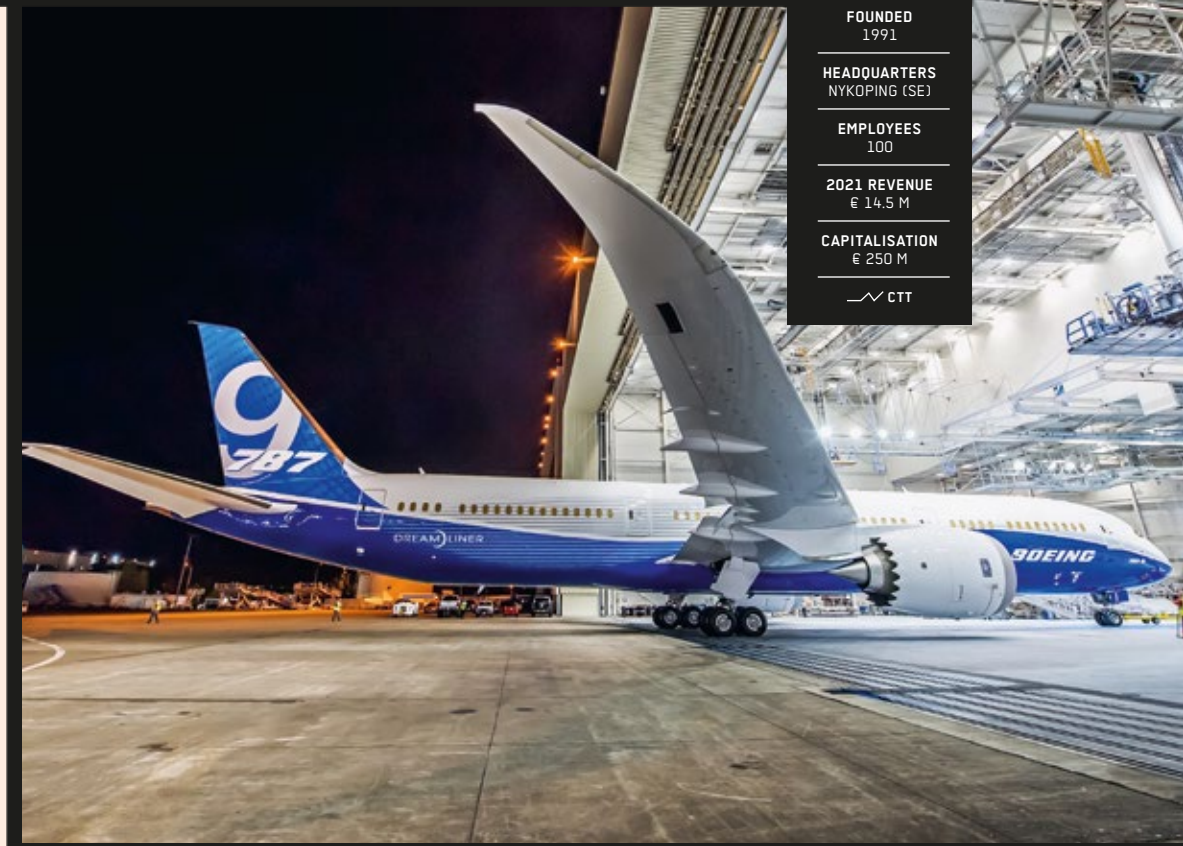
HEADQUARTERS
NYKÖPING (SE)

EMPLOYEES
100

2021 REVENUE
€ 14.5 M

CAPITALISATION
€ 250 M

—/— CTT



BOEING



TRUE GUM

Young and
trendy

HUMBLE IS ORGANIC AND VEGAN

Founded in 2009, this Swedish start-up, which aims to make food consumption more sustainable, is growing significantly.

The 2021 annual report from the Humble Group is quite striking. Opening with an image of a forest photographed from above, it is followed by 69 pages that are all tinted green. Founded in 2009, the Swedish company sells “products that are good for you and the planet”, according to the description on its website. That includes organic, healthy and vegan food, sustainable creams and natural beauty products, as well as food for athletes. In total, Humble Group owns more than 25 brands.

Most were acquired in recent years, such as Danish company True Gum, which produces plastic-free chewing gum and was acquired in December 2021 by Humble Group for 352.4 million kronor. More recently, in April 2022, the Swedish group also acquired UK company Go Superfoods, which produces environmental-

ly-friendly food products, for 209.5 million kronor. In total, Humble has made approximately 30 acquisitions since April 2020.

Up against food giants such as Nestlé and Danone, whose products are regularly criticised for their environmental impact and their effects on health, Humble Group is positioned within two booming sectors: health and the environment. By increasing its acquisitions, the company hopes to acquire a critical mass as soon as possible to become the global leader in the industry. Currently, Humble is present in 11 countries, including the United States, United Kingdom and Germany.

FOUNDED
2009

HEADQUARTERS
STOCKHOLM (SE)

EMPLOYEES
600

2021 REVENUE
€ 145.7 M

CAPITALISATION
€ 525 M

— HUMBLE

While traditional chewing gum, made from plastic, takes more than five years to degrade, the True Gum brand, owned by Humble Group, markets a biodegradable and vegan chewing gum.

Lacking recognition

INTERVIEW

“OUR SHARE PRICE IS VERY VOLATILE”

Due to weak liquidity, the UK small cap Ultimate Products has seen its share price fluctuate. The company's managing director Andrew Gossage explains.

BY JULIE ZAUGG IN LONDON

Specialising in the sale of household electronics and kitchen products, the company Ultimate Products is struggling to attract attention from investors and get people talking about the company. We interview the managing director Andrew Gossage.

Why did you decide to have your company go public?

Ultimate Products was founded in 1997. At the start, we had a loan to grow the business and we also called upon venture capitalists. But these funds dried up in the wake of the 2008 financial crisis and at the time, we needed money for acquisitions. So we decided to go public in 2017. The funds raised allowed us to make acquisitions, such as the brand Salter, a kitchen scales manufacturer that was acquired in 2021 for £34 million.

Are there analysts who cover Ultimate Products?

Currently, we are covered by our broker house Shore Capital, which is focused more on institutional investors, and we pay a company called Equity Development to produce analysis reports designed for private investors

that are shared at a larger scale. Making our company known to potential investors is one of our main challenges. We made the mistake of only starting to buy paid reports 18 months after our IPO. Previously, potential shareholders had a lack of information, particularly outlooks, from professional analysts and had to base their decisions on historical data to decide whether or not to buy our shares. This lack of available information discouraged many investors.

"We're also very close to our shareholders"

How has this situation impacted the share price?

When our transaction volume is low, the share price becomes very volatile. Ours has gone way up and way down. In periods of crisis, such as now with the war in Ukraine and the cost of living crisis in the UK, it is very low. Conversely, during periods of strong growth, the share price is high.

Is there no way to limit these market fluctuations?

We are lucky in the sense that we sell consumer goods: 80% of UK households have one of our brands at home. So investors can more easily identify our products than if we sold an obscure technology or a complex medical process. We're also very close to our shareholders. We regularly invite them to webinars and we meet them at investor events or via shareholder clubs such as ShareSoc.

How do you attract new investors?

We have an internal meeting every two weeks to identify events that could be used for a press release and shared on professional channels such as the Bloomberg terminals. It could be the appointment of a new board member, a new product launch, or news that seems to have nothing to do with the markets, such as when we announced last year that we were going to pay back part of the subsidies provided by the UK government during the pandemic. The key is to always remain up-to-date with the flow of information. ▲

FOUNDED	1997
HEADQUARTERS	MANCHESTER (UK)
EMPLOYEES	350
2021 REVENUE	€ 136.4 M
CAPITALISATION	€ 120 M
	UPGS

SAF-HOLLAND



Not all small caps are young companies that dream of being stock market giants. Some have been around for dozens of years or even longer. The German company SAF began in 1881, and the US company Holland was founded in 1910. The two century-old companies merged in 2006 to become SAF-Holland. Despite this long history, the company – publicly listed on the Frankfurt exchange since 2007 – has never become a large cap, as it is currently valued at €365 million.

Despite its modest size, SAF-Holland is a very solid company and a global leader in its sector. The company sells fifth wheel couplings for lorries (a sector in which it is ranked #2 globally) and for trailers, axles (#1 globally), suspensions (#3) and prop stands (#2). The company, which works with the biggest lorry brands (Scania, Mercedes-Benz, Volvo), generated €1.246 billion in revenue in 2021 (up 30% over one year) and is expecting average annual sales growth of 8% until 2025.

Long-standing player in a niche market

SAF-HOLLAND ON BOARD LORRIES

The German company produces axle, suspension and prop stand systems for trailers, as well as fifth wheel couplings for lorries.

Disc brakes ready for assembly in a SAF-Holland factory.

FOUNDED	1881
HEADQUARTERS	BESSENBACH (DE)
EMPLOYEES	3,600
2021 REVENUE	€ 1.246 BN
CAPITALISATION	€ 365 M
	SFQ

RECTICEL COMES BACK DOWN TO EARTH

To counter a hostile takeover, the Belgian foam insulation specialist had to reinvent itself.

The threat of acquisition

In two years, Recticel completely changed. The transformation was planned at first, and then forced. The Belgian small cap started by voluntarily divesting of its least profitable business lines in the automotive sector (internal adjustment for cars) and bedding (the Beka and Lattoflex brands), to focus on its two spearheads: thermal insulation of buildings and technical foam designed for demanding applications such as the space industry. Recticel is a leader in both sectors. Since 2018, for example, the company has produced polyurethane foams that are used in the Falcon rocket from the aerospace company SpaceX. And since July 2021, the Belgian company also works with Blue Origin, the aerospace company from Amazon founder Jeff Bezos.

As part of this refocusing strategy, in April 2021 Recticel acquired Swiss company FoamPartner, which specialises in flexible foams, for 270 million Swiss francs. The transaction was followed by the

€30 million acquisition of a Polish company that produces polyisocyanurate thermal insulation panels, considered one of the best synthetic insulators currently on the market, and are therefore very popular. Divested of its least profitable business lines, Recticel had strong growth outlooks, which also made it an attractive potential acquisition. And that fact was well-known: in May 2021, Austrian competitor Greiner launched an unsolicited takeover bid for the company. “Small caps are regularly involved in merger-acquisitions,” said Guillaume Chieusse, manager of the Oddo BHF Active Small Cap fund. “For investors, this can be an additional lever, the share can quickly benefit from a sometimes generous premium. But there’s also the risk of a takeover delisting a company that could perform even better.”

In Recticel’s case, the takeover became a sale: its “technical foam” division, Greiner’s primary target, was sold to US company Carpenter. As a result, Recticel’s space dreams were over, and it will now become a pure player in building insulation – a sector which is booming, thanks to the environmental urgency. To strengthen its presence in the industry, in March 2022 the Belgian company acquired Slovenian company Trimo, an insulation panel manufacturer, for €164.3 million.

FOUNDED
1778

HEADQUARTERS
BRUSSELS (BE)

EMPLOYEES
3,500

2021 REVENUE
€ 1.03 BN

CAPITALISATION
€ 970 M

REC

The SpaceX Falcon rocket, here on its launch pad in 2018, was fitted with insulating foams developed by Belgian company Recticel.



INTERVIEW

Credibility
booster

“BEING LISTED IS A SIGN OF A SERIOUS PLAYER”

French small cap genOway's market performance has been turbulent since its IPO. Its CEO and founder Alexandre Fraichard explains.

BY BERTRAND BEAUTÉ

“COVID-19” is still a magic word in the stock exchange world. On 25 October, genOway shares shot up by almost 20%. Why? The Lyon-based company announced it had developed the first mouse to be genetically modified to reproduce COVID-19 symptoms (see *Swissquote Magazine*, September 2020 issue). This transgenic rodent will allow COVID-19 treatments and vaccines to be tested, and will also give greater understanding of its mechanisms. But since this technological breakthrough, genOway's share price has fallen again. Another up and down in its tumultuous history. First listed in May 2007 at €4.96, genOway then entered a downwards spiral, ultimately becoming a penny stock priced at less than a euro at its lowest in 2009. In 2020, the company experienced a strong revival with the pandemic. But Alexandre Fraichard, the company's founder and CEO, says that genOway's share price movements don't reflect business reality. Find out more in this interview.

Why did you decide to go public in 2007?

Companies generally go public to raise money. But we didn't need money. We took the company public first and foremost as a matter of image. For our clients, who include pharmaceutical companies such as Novartis, Pfizer and BMS, being listed is a sign of a serious player. Rightly or wrongly, listed companies are seen as sustainable.

How did your IPO go?

We launched our IPO in 2007, at a time when there was a real appetite for the biotech sector – and so our IPO went well. But the enthusiasm for biotech waned in 2008 and the following decade was much more difficult. Lots of the investors we met basically told us: “We love your project, but you're too small. We don't invest in companies with a capitalisation of less than €100 million.” That's the real problem: if you don't exceed the €100 million capitalisation threshold, no-one's interested in you. No analyst, for example, tracks our value. From time to time, we pay

for sponsored research, but it doesn't bring us much. So the majority of the time, there is no financial research on genOway.

“That's the real problem: if you don't exceed the €100 million capitalisation threshold, no-one's interested in you”

Has the pandemic – which highlighted the importance of your work – changed things for you?

No. We still don't have any analysts tracking us. However, the pandemic reminded us of a constant: all it takes for our share price to rocket is for someone to buy a few hundred thousand euros of our shares – and vice versa. The slightest negative press article (for example suggestions of the end of animal testing) or positive press article (such as on the

need for mice to test COVID vaccines) and our share price drops or jumps. There's a disconnect between the company's business and its stock market price. This means we have to be very cautious with our communications. When we announced in October that we had designed genetically modified mice to develop COVID-19, for example, we emphasised the fact that it was a research tool. It didn't merit a tenfold increase in our share price. We're not BioNTech, our turnover isn't going to go from a few million to a few billion thanks to COVID. This cautiousness is important because when people don't understand information about our company, the share price moves very strongly.

How do you adapt to market fluctuations?

We have to maintain a medium- to long-term vision to avoid having to raise capital on the exchange. This allows us to manage the ups and downs in the share price. At the start, when we'd just gone public, I had an extremely rational view of the market and I found it hard to deal with the fluctuations. But in reality, we're always too small to have a real stock market presence, for people to be buying and selling shares without the price jumping around. Now, whether the share price is €3 or €4, it doesn't keep me up at night. Only growth in sales and profitability matters.

Do you regret going public?

Absolutely not. I'm very positive about being listed. In addition to the credibility it brings us, it probably saved us. After the 2007 IPO, one of our historic shareholders decided to close their venture capital fund. They took advantage of our listing to divest from the company quickly and sell their shares. That decision floored genOway's share price for years, but if we hadn't been listed, maybe it wouldn't have been so easy for the shareholder to leave us. We might have had to sell the company. I'm still grateful for that. ▲

FOUNDED
1999HEADQUARTERS
LYON (FR)EMPLOYEES
1002021 REVENUE
€ 14 MCAPITALISATION
€ 30 M

ALGEN



An employee in genOway's historical laboratory in Lyon.

PAY TO EXIST

Neglected by financial analysts, many small caps resort to companies that produce paid reports. Such sponsored financial research raises the question of potential conflicts of interest.

BY JULIE ZAUGG IN LONDON

It's hard to stand out in the brutal world of international markets. It is very rare for financial analysts to cover companies that have a capitalisation of less than €100 million, whereas on average more than 20 analysts monitor companies valued at more than €10 billion. Why? Most small caps are not traded enough on the markets to justify a broker or a large bank analysing them. This difference in treatment between small and large caps is a problem for small companies: with no financial publications, their stocks remain unknown to investors. To gain visibility, many small caps are turning to companies that provide paid analysis reports. UK firm Edison Group is one of these companies. We interviewed its founder Fraser Thorne and its Germany director Klaus Schinkel.

For a small cap, what are the problems that arise from not being followed by analysts?

Klaus Schinkel (KS): Companies with small market capitalisations that don't generate enough interest often end up with stocks that have very low levels of liquidity. This can cause the share price to be under- or over-valued, and could lead to a significant difference between the sales price and the bid price, which isn't favourable for stock transactions. This creates a vicious circle. This effect is even stronger if a large percentage of shares remain held by the founders of the company.

What solutions do you offer your clients?

Fraser Thorne (FT): We work with more than 400 public companies that are listed on approximately 30 exchanges around the world. Our main goal is to make them known to investors. To do that, each year, we write more than 2,500 analysis reports on our clients. Each company that we cover is the subject of an average of 16 to 20 publications per year, produced by our 50 analysts. We also have many videos and podcasts, new forms of

media that reflect how investors consume information today.

KS: We also have roadshows and organise meet-and-greets with investors, in order to explain our clients' business models and why these events could be an opportunity for them.

What is the difference between your analysis reports and those produced by banks or other financial institutions?

FT: Our main goal is to spread the word about the companies that work with us. In this context, we focus on highlighting their business models and long-term objectives, rather than dissect their latest quarterly results. Conversely, traditional financial analysts look at the short term, since their clients are investors and they make commission on each new transaction.

That also explains why our analyses are free and easy to access online, unlike those produced by most financial institutions. We want to convince as many investors as possible. Last year, 2.5 million people downloaded our research reports.

This might also cause a conflict of interest, because you're producing research that claims to be independent, but it's for a client who pays you. How do you overcome that?

FT: We have an absolute transparency policy. Each of our reports includes a statement that says it is paid research. Furthermore, we receive no financial advantage when the share price of one of our clients goes up or if it acquires new investors. We also don't hesitate to announce bad news on the companies that we cover. Our honesty is our main form of currency. Our reputation depends on it.

Is it really that complicated for small cap companies to make themselves known?

FT: It all depends on the company. Tesla was also a small cap when it first started but it never needed any marketing. Even companies that are less visible have the potential to interest certain investors. It's up to us to identify those companies and find them at the right time with a convincing argument.

How do you find good investors for your clients?

FT: We have teams on the ground that know the pool of local investors very well and understand their investment criteria. We also track the content they view on our online platform. That helps us know if they are interested in a certain company or sector. Our goal is to put them in contact with the companies that

best fit their needs and interests. That means we also have to have extensive knowledge about the strengths and weaknesses of our clients and know how to tell their story to investors. We treat their shares as a product that we are marketing.

Can you give us an example?

KS: One of our clients is an Austrian online gaming and sports betting company called Bet-At-Home. We began by setting up a lunch with potential investors – primarily family investors – in London. We then organised a roadshow in Europe, contacted investors in the United States and produced content about the client. We also sent a delegation to Asia to meet investors there. That approach significantly expanded the investor base. Another example is the football club Borussia Dortmund. In Germany, investors generally don't see football as a commercial undertaking. Borussia Dortmund was struggling to generate local interest and asked us to help reach foreign investors.

FT: As another example, we were able to convince Warren Buffett's team to invest in a medium-sized UK company, after the team said it read our analysis reports on the subject. ▲

EDISON GROUP: A MARKETER FOR SMALL CAPS

Founded in 2003 in the United Kingdom, the company Edison Group specialises in producing paid content for companies that lack visibility, particularly small caps. Its clients include well-known names such as football club Manchester United, but also small companies in the pharmaceutical, energy and mining sectors. It produces approximately 2,500 analysis reports per year and has a network of investors in 100 countries that it calls upon regularly.



BIG PROFITS FROM SMALL COMPANIES

Small cap companies have their own unique characteristics. Here are seven tips for profitable investments.

BY BERTRAND BEAUTÉ

“Investing in a big company is like driving a limo. It’s a smooth ride, but you don’t feel much,” explains François Mollat du Jourdin, the chairman and founder of the multi-family office MJ&Cie. “With a small cap, you’re driving a go-kart. You know it can rattle a bit. You have to accept that risk.” While small caps tend in the long term to outperform large caps, the road can often be quite a bumpy one. Here are a few tips to stop you from going off course. ▲

“As a medium- or long-term investment, I would invest without hesitation”

François Mollat du Jourdin,
CEO and founder of MJ&Cie

1 INVEST OVER THE LONG TERM

Since the start of 2022, the MSCI Europe Small Cap index has lost more than 15% of its value (as of 31 May), while over the same period, the MSCI Large Cap index has shrunk by a more limited 5%. “Small-cap shares tend to experience market movements more acutely than multi-nationals,” explains Raphaël Moreau, a fund manager at Amiral Gestion. “In periods of growth and optimism, they outperform the market. But the opposite is also true: during times of crisis and major uncertainty, they correct more sharply than big companies.” Mollat du Jourdin agrees: “Small caps are the first to be affected during crises,” says the MJ & Cie founder. “But they are also the first to bounce back when the economy takes off again. So you should invest in small caps during dips, just before the economy starts to recover.” With markets falling since the beginning of the year, is now the perfect time to invest in small caps? “Current outlooks, in particular in light of the war in Ukraine, inflation and tightened monetary policies, remain highly uncertain. In the short term, I’m remaining cautious,” replies Mollat du Jourdin. “But as a medium- or long-term investment, I would invest without hesitation.”

2 STUDY THE COMPANY'S MANAGEMENT CAREFULLY

“Before investing in a small cap, we always meet the management,” says Bart Geukens, portfolio manager for European small caps at DPAM, an asset management firm. “If we think there are management issues, we won’t invest. We’re looking for innovative, high-growth companies, but above all they have to be well managed.” In the world of small caps, the quality of the management team is crucial. Compared to large groups, small companies are often managed and controlled by their founders. This means they tend to be led with a long-term strategic vision, where the influence of management is more direct and less diluted than it is in big companies. This situation is an asset, but it is also a risk: a poor strategic choice often has more severe consequences than in a large company. Hence the importance of properly analysing the quality of the management team before investing. “Small caps’ management teams are often more accessible than they are at large companies,” says François Mollat du Jourdin. “This means that shareholders can establish constructive, productive dialogue with management.”

3 PROFIT FROM MARKET INEFFICIENCY

Financial analysts prefer big market values. European companies with a stock market capitalisation of over \$10 billion are generally tracked by 20 or more analysts. At the other end of the spectrum, it’s not rare to find that no specialist covers the smallest companies, whose valuation is no more than a few tens of millions. In France, for example, 30% of listed companies are not tracked. Why? “For the majority of companies with small market values, there aren’t enough trades to justify the cost of analysis,” says Raphaël Moreau, Sextant PME fund manager at Amiral Gestion.

According to a study by Furey Research Partners, American large caps are tracked by around 20 analysts on average, with around 15 tracking mid caps, while small caps are covered by just five specialists. For investors, this difference in treatment can present an opportunity. Financial theory is built on the efficiency of financial markets, i.e. on the fact that the price reflects all available information. But in the absence of information, it may be the case that a share price doesn’t reflect the true economic value of the company. This situation leads to the potential for a share price to be undervalued or overvalued. “Investors can take advantage of these valuation anomalies,” says Don Fitzgerald, a fund manager for European mid-caps at DNCA Investments.

The world of small caps is much richer and more diverse than the world of large caps. The MSCI World Small Cap index features over 4,500 companies, while the MSCI World Large Cap has just 688. "For investors, being extremely selective and carefully choosing the companies to invest in is crucial," says Moreau, an analyst at Amiral Gestion. "The way to get the best possible performance is to only invest in the companies that perform best rather than investing via indices," Geukens adds. "Not all of the companies included in indices are necessarily to be recommended, and the largest companies are weighted more heavily than small companies. Investing in small caps through an index means you're investing in yesterday's winners."

4

ADOPT AN ACTIVE MANAGEMENT APPROACH

INVEST IN WHAT YOU KNOW

Analysts track small caps less closely than large caps, and this is also true for the financial press. So how do you find out about small caps? "In the small business world, it's not uncommon to see a complete lack of third-party research. It is therefore essential to speak directly to the company" believes William Cuss at Barings. Failing this, one can also delve into the annual reports. Guillaume Chieusse, head of small cap equity management at Oddo BHF AM, adds: "A few years ago, before investing in a Swedish small cap, we had to translate the company's financial statements ourselves, because there was no information available in English!"

"In my view, it's easier to understand small companies than big companies"

Raphaël Moreau, fund manager at Amiral Gestion

5

Painstaking work, but made easier by the fact that small caps tend to focus on targeted activities. "In my view, it's easier to understand small companies than big companies, because they generally only develop a handful of products, which in turn are only available on a few markets," says Raphaël Moreau. "As an investor, it means you can know exactly what you're investing in. With multinationals, which market hundreds of products worldwide, it's much more complex. I recommend that private investors focus on a sector they know well, for example because they work in it. This can help them to identify companies that remain under the specialists' radar."

6

"Small companies generally have a more fragile business model than big companies that are already well established in their market. They are also less diversified, more sensitive to the quality of their management, and more dependent on a single product or geographical area," warns Bart Geukens from asset management firm DPAM. "This means that there is a greater risk of losing money when investing in small-cap shares compared to major companies. But the potential profits are also greater."

ACCEPT THE RISKS

MONITOR LIQUIDITY

"The two main risks when investing in a small cap are volatility and lack of liquidity," explains Cuss, manager of the Small and Mid-Cap equity strategy at Barings. In essence, there are sometimes few sellers and few buyers for small cap stocks. This means it can be difficult to buy or sell a share at a given moment due to lack of supply or demand. The result is that a stakeholder who wants to exit the market can't always do so immediately, unless they are willing to accept a cut-price sale. Lack of liquidity means that market movements are accentuated. And so while small caps aren't, as a whole, more volatile than large caps, when taken individually, their stock market prices can be subject to heavy short-term fluctuations due to lack of liquidity. Before investing in a small cap, experts recommend paying attention to liquidity, taking note of volumes of shares traded on the markets and avoiding those shares for which very few daily transactions are made.

7

According to legend, Pete Townshend, guitarist for British rock band The Who, went to bed during his tours with two things: "A bottle of cognac and Dr. Martens boots." He is photographed here with Docs at his feet, during a concert at the Omni Coliseum in Atlanta, in November 1975.

GETTY IMAGES

Dr. Martens: timeless rebel footwear

The legendary British brand continues to gain followers, even among younger consumers. After a major slump in the early 2000s, it has revived its heritage. We report from its London HQ.

BY JULIE ZAUGG IN LONDON

A Dr. Martens employee at the Northampton factory in England.

Pen in one hand and a computer mouse in the other, the young woman is immersed in designing a shoe. Piled on her desk are mountains of rubber soles, leather samples and laces, about to collapse onto the focus of her attention. The walls are plastered with pages from fashion magazines and photos of people taken in the street or gleaned from social media. Scattered about are key words: tartan, stencil painting, crochet, etc. "This material helps inspire our designers," says Lorenzo Moretti, who heads up Dr. Martens' operations for Europe and the Middle East. "They're preparing the 2023-2024 Autumn/Winter collection."

Deep in London's Camden district, in a large, industrial-vibe building, the atmosphere at the British brand's headquarters is vibrant on this spring Thursday. Next to the designers' space is a room brimming with prototypes. The models on display here were created at the group's factory in Northampton, in the East Midlands. "At this stage of the process, we can experiment with surprising materials and patterns," the manager says. On one table is a shoe covered in checked fur. Another features imitation cowhide.



DR. MARTENS

Lorenzo Moretti walks into a corridor lined with neon lights that evoke the hallmark yellow welt stitching that edges Dr. Martens shoes. He leads us into the brand's showroom, displaying shoes for the 2023 Spring/Summer season. In addition to an entire wall dedicated to the brand's classics – the traditional eight-hole

1460 boot, the six-hole 101, the laceless Chelsea and the low-cut 1461 shoe – there are several recent innovations.

"Our moccasin line is in high demand and has recently been revamped," the manager says, pointing to shoes in apple green, light pink and off-white. ▶

IN NUMBERS

14.1 M

Number of pairs of Dr. Martens shoes sold worldwide in the 2022 financial year, which closed on 31 March.

+383%

Increase in Dr. Martens sales between 2013 and 2021.

8

Number of holes on either side of the legendary boot.

158

Number of shops operated by Dr. Martens in some 60 countries.

Along with Bomber jackets, the legendary Dr. Martens shoes have become one of the emblems of the skinhead movement, which originally had nothing to do with the far-right. Here, a group of skinheads immortalized in the early 1980s in the UK.

“The sandal range has also been highly popular the past few seasons, along with platform boots.” He stops in front of a hybrid shoe, half leather boot, half high-top trainer. “This shoe is designed for a young target market, who grew up in trainers and swear by sneaker culture,” he says.

The history of Dr. Martens is one of constant reinvention. This approach has secured the brand’s lasting success, making its boots the iconic shoe for generations of counter-cultural movements in the 20th and 21st centuries. Listed on the stock exchange since February 2021, Dr. Martens shows no sign of stopping, with sales up 18% during the financial year ended 31 March, 2022, at €908 million, and margins of 29%, well above those of its competitors. That performance was achieved despite closures of its Asian factories for several months due to the pandemic, hurling its supply chain into chaos.

Yet, the brand’s origins are modest. Suffering a foot injury from a skiing accident, Klaus Maertens, a 25-year-old German former soldier looking for his way in post-war Munich, decided to custom make himself a more comfortable shoe. He got his hands on materials discarded by the Bundeswehr and, with an engineer friend, fashioned a leather boot with a unique air-cushioned rubber sole. After hitting the market in 1947, his



“Punks, goths, and later grunge and Britpop fans all wore Dr. Martens”

Joshua Sims, author of the book *Rock Fashion*

shoes quickly took off. In 1959, Bill Griggs, the head of a long line of British shoemakers, spotted them in a trade magazine and bought the patent. He added the quintessential yellow welt stitch, a metal toe cap

to protect the toes, and grooved edging along the sole. The 1460 boot was born.

“Comfortable, inexpensive, and shock- and oil-resistant, the boot became the footwear of choice for Britain’s working classes, donned by factory workers, miners and policemen,” says Michael Beverland, a marketing professor at the University of Sussex, who has studied the brand’s history. In those tumultuous days of social and



The front of the historic Dr. Martens store in London’s alternative culture hotspot of Camden.

of a certain working-class identity marked by rebellion,” Michael Beverland says.

But that sometimes went too far. The eight-eye lace-up became a distinctive sign for skinheads – who have since become radicalised and intolerant – and its image nearly failed to recover. It was common knowledge that the best way to christen a new pair of Docs was with a victim’s blood. That movement also introduced the colour code for laces: white for white pride, red for neo-Nazis, and blue meant the wearer had killed a police officer.

But opponents of the skinheads eventually embraced the timeless boots, with anti-fascists sporting yellow laces and LGBT community members wearing purple ones. “That’s what’s so great about Dr. Martens. Everyone can appropriate the brand and make it a symbol for whatever cause they’re fighting for,” Beverland highlights. “It’s incredibly versatile.”

Throughout these waves of assimilation, the brand itself did very little to shape its image. “Considering itself mainly a manufacturing company, Dr. Martens did not target its advertising at these subcultures,” the expert says. “And until the late 1980s, the company practically did not change its product range.” Fans had to make do with a handful

cultural unrest, as the UK awakened to rock music and a generation of baby boomers who had grown into angst-ridden teenagers, Dr. Martens boots were quickly co-opted by the era’s teeming subcultures.

In the early 1960s, The Who guitarist Pete Townshend was one of the first to wear the boots on stage as a tribute to his working-class background, along with early skinheads who were into ska. “Dr. Martens has always had a close connection

with music,” says Jane Schaffer, a footwear expert at the University of Northampton. “Punks, goths, and later grunge and Britpop fans all wore Dr. Martens,” adds Joshua Sims, author of the book *Rock Fashion*.

Worn by protesters during the strikes that shook 1980s Britain in retaliation to Margaret Thatcher’s ultra-conservative policies, the 1460 boot became a symbol of resistance. “The brand developed an almost tribal following, a symbol

Singer Gwen Stefani of Californian group No Doubt during a concert at the Maison de la Mutualité in Paris in 2012. Champion of aesthetic clash, she mixes feminine make-up with a more masculine dressing, here with a pair of Dr. Martens on her feet.



GETTY IMAGES / DAVID WOLFF

of models – today’s classics – and colours, mostly black and burgundy.

However, in the early 1990s the group had begun to diversify all over the place, launching lines featuring patent leather, suede and patterned designs, as well as sandals and even dress shoes. “Some models no longer had the distinctive Dr. Martens

boot look,” says John Stevenson, an analyst at Peel Hunt, which covers the brand. The firm also began selling its shoes through wholesalers, losing control over its image and pricing.

The brand had forsaken what made it unique. For the first time, the hot musical styles of the day, from electro to hip hop, snubbed Docs

and turned towards trainers, which were rising in popularity. By the early 2000s, Dr. Martens was reeling on the verge of bankruptcy, forced to close its British factories – all except for one in Northampton – and move production to Asia.

The firm did not resume growth until around 2010. “It was taken over in 2013 by the investment company Permira for £300 million,” Michael Beverland explains. “The new management team introduced more professional management methods.” Then in 2018, Kenny Wilson, formerly with Levi’s and Cath Kidson, was brought in as CEO to continue turning the company around.

Dr. Martens began to actively exploit its rich heritage. “The brand started capitalising on its image of youthful rebellion with ad campaigns focusing on emerging talent or protest. It partnered with cutting-edge designers such as Neighborhood, Lazy Oaf and Herschel, and tapped into Gen Z priorities by launching vegan and locally produced leather lines,”

to develop direct-to-consumer sales, the brand is securing much higher margins than its peers,” the analyst says. And it does not have any real competitors. “Most of its customers want a Dr. Martens boot and nothing else,” he says. “It’s one of the few brands protected from competition by its cult status, like Levi’s or Converse.” Along with most analysts, Stevenson issued a buy recommendation, believing that the stock is now at an attractive valuation and price/earnings ratio.

— DOCS

ANALYST ADVICE

“ITS CULT STATUS PROTECTS THE BRAND FROM THE COMPETITION”

While Dr. Martens’ earnings continue to rise, its share price has been plummeting since the beginning of the year. The brand’s supply chains have been severely disrupted by the pandemic,” says John Stevenson, an analyst at Peel Hunt. “These problems have slowed its growth, instilling market distrust.” However, he believes that Dr. Martens is a safe investment for the medium term. “By focusing on a handful of classic styles that never go out of fashion and therefore never end up on sale, and aiming

says Jane Schaffer of the University of Northampton.

This positioning has broadened the brand’s appeal to the general public. The famous eight-hole boot can now be found on the feet of stars like Miley Cyrus and Rihanna. Today, its customer base includes both young people who have just discovered the brand – 35% of its buyers are between 16 and 34 – and middle-aged people who have been flaunting their Docs for decades.

In the United States, only 75% of consumers have heard of the brand

The number of models has also been reduced and each new model now references the brand’s DNA, with the famous yellow welt stitching or the shaping of the 1460 boot. “Our classic models account for 57% of our sales,” Lorenzo Moretti says. “They’re really the heart of the brand.” Despite the many new colours and patterns introduced each season, 70% to 80% of customers choose black.

The group has also embarked on a major programme to simplify its sales channels, in a move to shed its wholesale dealers and focus on selling directly to customers. As part of that strategy, it has upgraded its e-commerce site and is opening more shops in city centres.

“In the last five years, we have regained control over our sales in Germany, Spain, Italy and Scandinavia,” says Moretti, head of operations in Europe and the

Middle East. “This has given us better control over our image and improved our margins.” Direct-to-consumer sales now bring in 43% of revenue and an average of €10 more per pair of boots sold.

The group hopes to eventually increase sales outside the United Kingdom. “We are currently focusing our efforts on six priority countries, France, Germany, Italy, the

United States, Japan and China,” says Moretti. And Dr. Martens is far from having exhausted its potential in these countries. In the United States, only 75% of consumers have heard of the brand, in Germany only 66% and in China 63%. A McKinsey study estimates Dr. Martens’ total addressable market at 170 million customers, compared with 16 million today. The boot of rebels has moved into the big league. ▲



Initially worn by workers, then associated with the alternative skinhead and punk movements, the Dr. Martens brand became more popular in the 1990s by developing new designs and by embracing its original colours – black and burgundy.

Elon Musk, the bad boy of finance

Tesla's top dog is a rebel at heart and regularly gets in trouble with the SEC, the US financial market regulator. Here, we've compiled his most explosive tweets.

BY STANISLAS CAVALIER

Among Elon Musk's latest antics, on 16 May, the iconoclastic billionaire tweeted a poop emoji to Twitter boss Parag Agrawal. The ordinarily solemn business world is not used to such vulgarity, but it's actually no surprise coming from Elon Musk. A staunch defender of free speech, the capricious head of Tesla takes enormous pleasure in throwing traditional financial communication etiquette out the window. The chaotic takeover of Twitter is no exception. Right when Elon Musk's \$44 billion takeover of the social media website looked likely to go through, the world's richest individual said the deal was "temporarily on hold" in a simple tweet on 13 May, sending Twitter's share price downwards.

How many violations of financial rules does that make? The US Securities and Exchange Commission (SEC), which is already investigating the terms of the Twitter takeover, will certainly look into the matter, bearing in mind that Elon Musk's financial communication blunders cost him a \$20 million fine in 2018. In the less regulated world of cryptocurrencies, Tesla's CEO does not face sanctions, but his untimely Twitter posts have irritated the community to the point that most members now cannot stand the billionaire. ▴

JOE SKIPPER / REUTERS

1 APRIL 2018
APRIL FOOL'S

"Despite intense efforts to raise money, including a last-ditch mass sale of Easter Eggs, we are sad to report that Tesla has gone completely and totally bankrupt. So bankrupt, you can't believe it"

Heavily in debt, Tesla was going through a rough patch, and Elon Musk announced that the car maker was bankrupt. Unfortunately, some investors did not realise it was an April Fool's joke and Tesla's share price plunged 5%.

7 AUGUST 2018
SO LONG, WALL STREET

"Am considering taking Tesla private at \$420. Funding secured"

In one tweet, Elon Musk got Wall Street all fired up amid the summer heat. On Tuesday, 7 August, Tesla's boss wrote that he was considering taking his company private. As a result of that statement, share trading stopped. Fifteen minutes before the markets closed, Tesla resumed trading, and by the end of the day the stock had jumped 13% to nearly \$380.

25 AUGUST 2018
REVERSAL

"Staying Public"

Less than a month later, Elon Musk announced that his automotive firm was staying public. The turnaround annoyed SEC officials, which accused the fickle boss of manipulating Tesla's share price. He was charged for issuing "false and misleading statements". The announced complaint sent Tesla's share price tumbling 11% to \$277 on 27 September. Two days later, the two parties reached an out-of-court settlement: Elon Musk had to pay a \$20-million fine, step down as Chairman of Tesla and thereafter have his tweets containing financial information approved before posting them.

20 FEBRUARY 2019
OVERSOLD

"Tesla made 0 cars in 2011, but will make around 500k in 2019"

Another tweet, another imbroglio with the SEC. In February 2019, Elon Musk announced that Tesla would manufacture around 500,000 vehicles in 2019. The SEC felt that the exaggerated figure was likely to mislead investors. Musk "did not seek or receive pre-approval prior to publishing this tweet, which was inaccurate and disseminated to over 24 million people," the financial watchdog said. In the end, only 400,000 cars left the factory that year.

1 MAY 2020
THE TESLA BUBBLE

"Tesla stock price is too high imo"

To welcome the arrival of spring, Elon Musk thought it was a good idea to post that he felt Tesla's stock price was too high. The fallout: the stock plummeted 10% in one day, and shareholders and the SEC were not happy.



24 MARCH 2021
CRYPTO FAN

"You can now buy a Tesla with Bitcoin"

Bitcoin climbed nearly 5% in a matter of hours after Elon Musk announced that Tesla was now accepting the most popular cryptocurrency as payment.



11 MAY 2021
DOGE MADNESS

"Do you want Tesla to accept Doge?"

Elon Musk asked his followers if they want Tesla to accept dogecoin as a payment method. And 78.2% of them voted in favour of it, sending the price of the crypto, originally launched as a joke, soaring 14.5% in 10 minutes.



13 MAY 2021
SCREECHING HALT FOR BTC

"Cryptocurrency is a good idea on many levels and we believe it has a promising future, but this cannot come at great cost to the environment"

Another whim, another controversy. Elon Musk announced that Tesla would stop accepting Bitcoin as a payment option because of its environmental impact. Within a day after the tweet, Bitcoin tumbled nearly 10%.



4 JUNE 2021
SEPARATION

"#Bitcoin 💔"

Elon Musk's rocky relationship with the cryptocurrency community was not over. On 4 June, the investor caused another stir by posting the hashtag Bitcoin with a broken heart emoji, above a photo of a couple breaking up. BTC lost 6% of its value that morning, from \$39,000 to \$36,000.



6 NOVEMBER 2021
BAD POLL

"Much is made lately of unrealized gains being a means of tax avoidance, so I propose selling 10% of my Tesla stock. Do you support this?"

In the midst of the debate on the taxation of the wealthy in the United States, Elon Musk proposed to sell 10% of his Tesla shares via a Twitter poll. Of his followers, 57.9% voted "yes", causing the share price to fall by more than 15% in two days.

25 APRIL 2022
TWEET FOR TWITTER

"🚀💫❤️ Yesss!!! ❤️💫🚀"

In an emoji-filled tweet, Elon Musk was delighted that Twitter's Board of Directors accepted his buyout offer for \$44 billion. The price represents a 38% premium to Twitter's closing price on 1 April 2022, the last trading day before Elon Musk disclosed his stake in the social network of approximately 9%.



13 MAY 2022
DEAL ON HOLD

"Twitter deal temporarily on hold pending details supporting calculation that spam/fake accounts do indeed represent less than 5% of users"



29 APRIL 2022
TESLA'S BUMPY RIDE

"No further TSLA sales planned after today"

To finance the pricey \$44 billion Twitter takeover, Elon Musk sold 9.6 million Tesla shares, worth \$8.5 billion, between Tuesday 26 April and Thursday 28 April, causing the stock to drop more than 10% over the period. Then to stem the decline, Musk announced that he would not sell any more shares, and the stock rebounded 5% on Friday 29 April.

The South African magnate once again broke stock market rules by putting his proposed takeover of Twitter "temporarily on hold" in a tweet. After this announcement, the microblogging platform's share price nose-dived about 20% in electronic trading before Wall Street opened.



13 MAY 2022
ANOTHER REVERSAL

"Still committed to acquisition"

Just two hours after announcing that he was putting his plans to buy Twitter on hold, the billionaire said he is "still committed" to acquiring the social network. These contradictory statements sent the market reeling: after plunging 20% in pre-market trading, Twitter shares closed on Friday 13 down nearly 10%.

STEINWAY REJUVENATES ITS IMAGE

The legendary American brand is looking to expand its customer base by launching new products targeting younger people and tapping into the Chinese market. The next step for the company is to list on the New York Stock Exchange.

BY JULIE ZAUGG IN LONDON

In the music video for her latest hit “Hold My Hand” – the theme song for the film *Top Gun: Maverick* – Lady Gaga plays a Steinway grand piano in the middle of an airport runway. At one point, she poses on top of the instrument dressed in a billowing parachute-style gown. The American brand’s name and lyre logo are painted in gold on the side of the instrument and are clearly visible in several shots.

A collaboration like this would have been unthinkable for the 100-plus-year-old company 10 years ago. But Steinway has been working hard since 2013 to rejuvenate its image and tap into new markets, particularly Asia. To mark the culmination of its transformation, the company plans to float on the New York Stock Exchange later this year.

Steinway pianos are to music what Harley Davidson is to motorcycling or Montblanc to writing. “They have

a unique sound that is warmer and fuller than that of other pianos,” says Californian musicologist Stuart de Ocampo. “Steinways are ubiquitous in the world of professional pianists.” They are the instrument of choice for 97% of concert artists.

“These pianos are superior because of their materials, particularly the wood, and because of how they are made,” says de Ocampo. The brand developed its production methods over the course of its long history. Founded in 1853 in a Manhattan warehouse by German immigrant Heinrich Steinweg and three of his sons, the company quickly set to work innovating. They filed a whopping 135 patents, mainly for aspects such as string assembly and key action.

When William Steinway (born Steinweg), one of the founder’s sons, took the reins of the com-

pany, he decided to open a factory in the Astoria neighbourhood of Queens in around 1880. Meanwhile his brother, Theodore Steinway, was supervising the creation of another factory in Hamburg, Germany. The brand went from success to success, thanks in part to the popularity of jazz and ragtime music in the early 20th century, which many consider to have been the golden age of pianos. At the time, Steinway was producing over 6,000 instruments a year – twice as many as today.

In the early 1970s, however, the company ran into a long dry spell. Facing competition from Japan and with no successor from the Steinway family, the company was sold in 1972 to the radio and television network CBS and then, in 1985, to a group of investors from Boston. In 1995, Steinway changed hands again and was taken over by the instrument manufacturer Selmer. The following year, the company ▶

Singer Lady Gaga sang the hit “Hold my hand” for the soundtrack of the film *Top Gun: Maverick*, released in cinemas on 25 May. In the clip, the American popstar in military trousers plays on an impressive Steinway piano placed in the middle of an airstrip.

floated on the stock exchange, trading under the very romantic ticker symbol “LVB”, in tribute to Ludwig van Beethoven.

But in 2013, the company was delisted after being bought by hedge fund manager John Paulson for \$512 million. Determined to make the company more profitable, Paulson dug into his pockets to modernise the group’s factories and hire more staff. He did not, however, make any changes to Steinway’s production methods.

“While many other piano-makers have outsourced their production to Asia, Steinway continues to produce all of its pianos at its original two production sites, in New York and Hamburg,” says Thea Ferretti, a marketing specialist at the Zurich-based consultancy Branders who has studied the brand. “They are also still largely assembled

by hand by specialised workers.” It takes about one year to build a Steinway piano.

Each one contains precious woods, such as Sitka spruce from Alaska, and walnut, mahogany and Bavarian spruce. Some of that wood is dried for over two years so that it doesn’t crack when the piano is being built. Before it is sold, each instrument is tested by a machine that hammers each key for one hour to verify that its timbre remains unchanged.

The company’s refusal to compromise on quality has allowed it to

maintain its high prices. An entry-level upright Steinway piano sells for \$34,200. A concert grand piano goes for \$175,000. By way of comparison, at Yamaha – world leader in pianos with roughly 40% of worldwide sales – the least-expensive models cost around \$3,500 for an upright and \$10,000 for a grand piano.

But Steinway also owes its success to a clever marketing strategy based on product placement. “Most major concert halls are equipped with Steinway pianos, as are the most prestigious music schools and the lobbies of many luxury hotels,” says

Steinway continues to produce all of its pianos at its original two production sites, in New York and Hamburg

Since Steinway’s founding in 1853, the world’s finest pianos have all been built and assembled by hand. Here an employee at the company’s historic factory in Astoria, a neighbourhood New York, in 2016.



KEYSTONE

Thea Ferretti. The group also keeps a “bank” of 250 pianos that artists can borrow for their tours. And it operates several concert halls, particularly in New York, London, Berlin and Vienna, all of which feature a Steinway showroom.

The brand is also promoted through “an aggressive policy to recruit famous musicians,” says Stuart de Ocampo. Diana Krall, Billy Joel and Lang Lang are just a few of the big names in the group of “Official Steinway Artists”, all of whom have pledged never to play another instrument. A label called “All Steinway Schools” is also awarded to conservatories that source their equipment exclusively from the brand.

Despite these efforts, the company’s sales started to slow about 15 years ago. “Its target market was getting older, and the younger generation was not very familiar with the brand,” says marketing specialist Thea Ferretti. Under the leadership of John Paulson, the company launched a large-scale operation to rejuvenate its image. “They set up Instagram and YouTube accounts, recruited influencers as ambassadors and launched collaborations with pop stars such as Lady Gaga and Lenny Kravitz,” says Ferretti.

Two sub-brands – Boston, which sells mid-range pianos built in Japan and Indonesia, and Essex, which sells entry-level pianos built in China – were created to cater to Steinway’s new target market. The group released its first-ever digital piano, Spirio, in 2016. Connected to a digital tablet with a library of songs by contemporary artists such as Billie Eilish, Coldplay and Shawn Mendes, it’s less an instrument than an entertainment device. An instant success, it already represents one-third of Steinway’s sales.

Steinway also gave an exclusive licence to the Danish company Lyngdorf to produce a digital audio

system bearing its name. The most expensive model – which comes in the famous Steinway black finish – costs \$266,000 and has two loudspeakers weighing 174 kg each. “These products have enabled the brand to reach another segment of the population, by attracting non-musician customers,” says Ferretti.

Over the past 20 years, Steinway has also been focusing on another promising market: China. “The brand opened its first Chinese showroom in 2003, in Shanghai,” says Sheila Melvin, who has written several books with her husband, Jindong Cai, on the expansion of classical music in China. At the time, the general public in China was just starting to discover this instrument.

“The first pianos were imported into China in the late 19th century by European missionaries and merchants and several great Chinese pianists emerged in the first half of the 20th century,” says Melvin. But the Cultural Revolution – during which foreign music was considered a bourgeois heresy and many pianos were destroyed – dealt a sudden blow to the development of the instrument in China.

Enthusiasm for the piano didn’t return until a middle class began to emerge in the country’s coastal cities. “Today, 38 million Chinese people are learning to play the piano and hundreds of conservatories and concert halls have sprung up throughout the country,” says Jindong Cai. “Some parents will sacrifice everything to help their child become a pianist, even if it means quitting their job or moving house to support their child’s musical ambition.” Most of these Chinese music schools and recital halls are now equipped with Steinway pianos, even in secondary cities. “Some conservatories are placing orders for a hundred Steinways all at once,” says Jindong Cai.

IN NUMBERS

2,500

Pianos produced by Steinway each year.

12,000

Parts in a Steinway piano.

400,000

Pianos sold each year in China (all brands combined), versus 30,000 in the US.

134

Concert halls in China that have a Steinway piano, versus only 11 a decade ago.

33

Steinway showrooms worldwide, 16 of which are in the US, 11 in Europe and six in Asia.

For the new rich in China, the piano is now a marker of social status, just like a Gucci bag or a Porsche. “It’s an object that symbolises success and that people want to display in their home,” says the music professor. Several Chinese billionaires have Steinways studded with diamonds or made of precious wood. ▶



MUSIC

SWISSQUOTE JULY 2022

KEystone

A Steinway employee makes final adjustments to a piano, ensuring the keys move freely with proper spacing.

Aware of the potential, Steinway opened a 6300 sq. m headquarters featuring a showroom in Shanghai in 2018. A year earlier, the company opened a concert hall in Beijing. The brand has also recruited Chinese influencers, such as fashion blogger Jessica Wang. Additionally, Steinway promotes its brand on the social media platform WeChat and features a number of Chinese songs in the Spirio music library. The strategy has been successful. China now represents one-third of the group's sales. And this is just the beginning – Steinway's sales in China rose by over 15% each year between 2006 and 2015.

The group is healthy and is getting ready to float on Wall Street, this time under the ticker STWY instead of LVB. In 2021, Steinway generated revenue of \$538 million (+29%), \$406 million of which was from its pianos alone. Its net profit was \$59 million, up 14% on the previous year. And the group believes it has solid prospects. In the document

submitted to the SEC in April 2022 regarding its IPO on the New York Stock Exchange, Steinway presents itself first and foremost as “a player in the global luxury goods market” and then as a player “in

the musical instruments market”. This ordering is significant since, according to Euromonitor, the luxury industry is expected to grow 6.4% annually between now and 2026, versus only 2.2% for instruments. ▲

ANALYST OPINION

“STEINWAY: JUST WHAT THE MARKET NEEDS”

Steinway's IPO is scheduled for later this year in New York and the company should be able to raise some \$100 million. Although growth in the piano market has been relatively low, the company has grown a lot more quickly than the rest of the industry in recent years: “Steinway was able to increase its profits and its margins and has impressive cash flow,” writes Donovan Jones, analyst and creator of the platform IPO Edge, in a note. The company's revenue rose from \$354 million to \$538 million between 2012 and 2021. Over the past five years, Steinway has also raised its prices by 48% on average. In 2021, it generated net income of \$59 million, versus \$13.5 million

in 2012. In an article published by MarketWatch, James Gellert, chief executive of RapidRatings, a company that assesses the financial health of private and public companies, writes: “Very strong (financial health) companies debuting are rare and Steinway seems just the right company to emerge despite a volatile equity market. A super brand name, recognisable business, storied history combined with strong long-term and strong short-term health is just what the market needs.” The main risks for Steinway are disruptions in its supply chain linked to the pandemic and to inflation, which could undermine its profitability.

— STWY

ADVERTORIAL



ODDO BHF
ASSET MANAGEMENT

Megatrends FOUR INVESTMENT THEMES FOR THE FUTURE

BY ODDO BHF AM - JUNE 2022

Recent years have seen a strong investor appetite for thematic global equity funds, seeking to participate from long-term structural trends in society. These megatrends develop independently of economic cycles and affect the business models of companies. The investment experts at ODDO BHF Asset Management have identified four megatrends, which they believe will offer opportunities in the coming years.

Ecological transition

Climate change is one of the greatest challenges of the 21st century. Yet the world remains on a warming path of +2.1 to +2.4°C, well above the 1.5-degree target. There is still time to raise capital in numerous thematic areas for the ecological transition: Production of sustainable energy, increasing energy efficiency, e.g. in buildings, sustainable mobility and conservation of natural resources.

Artificial intelligence

AI already surrounds us in our everyday lives. Google search algorithms provide us with orientation on the internet, Alexa and Siri support us with voice instructions; we find new films and songs matching our tastes via Netflix and Spotify. In healthcare, artificial intelligence is already enabling more personalized medicine and more individualized treatment plans. In our opinion, the key technology AI therefore opens investment opportunities in numerous industries, not only in the technology sector.

Financial revolution

Financial services providers are facing an inevitable upheaval in all their key business areas (financing, savings, payments, and insurance). The use of innovative technologies such as blockchain, market share gains by new specialized providers, the explosion of mobile payment methods and the sharp increase in the number of digital assets are just some of the upheavals shaping the industry. According to our analysis, both fintechs and established providers embracing these changes offer investors potential opportunities for returns.

Future of Food

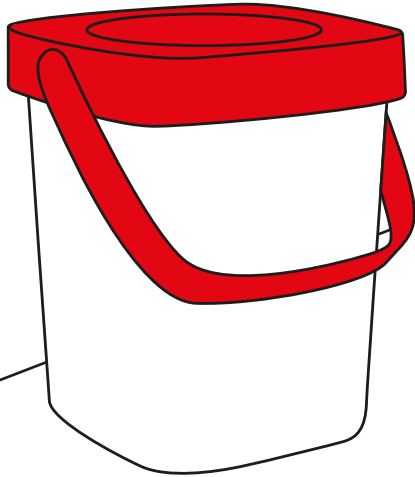
The way food is produced, distributed, and consumed is also facing upheaval. There is a lot at stake: To feed the world's growing population, food production must be increased by 60% by 2050. At the same time, food must be grown in a more environmentally friendly way and less of it must be wasted. Another factor is the change in eating habits in the industrialized countries. Here, more attention is paid to health, vegan or vegetarian diets are in vogue and companies that produce meat substitutes for instance are on a growth course. According to our analysis, the nutrition megatrend offers diverse investment opportunities along the entire value chain of the food system.

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SWISS STARTUPS IN THIS EDITION

BY GRÉGOIRE NICOLET



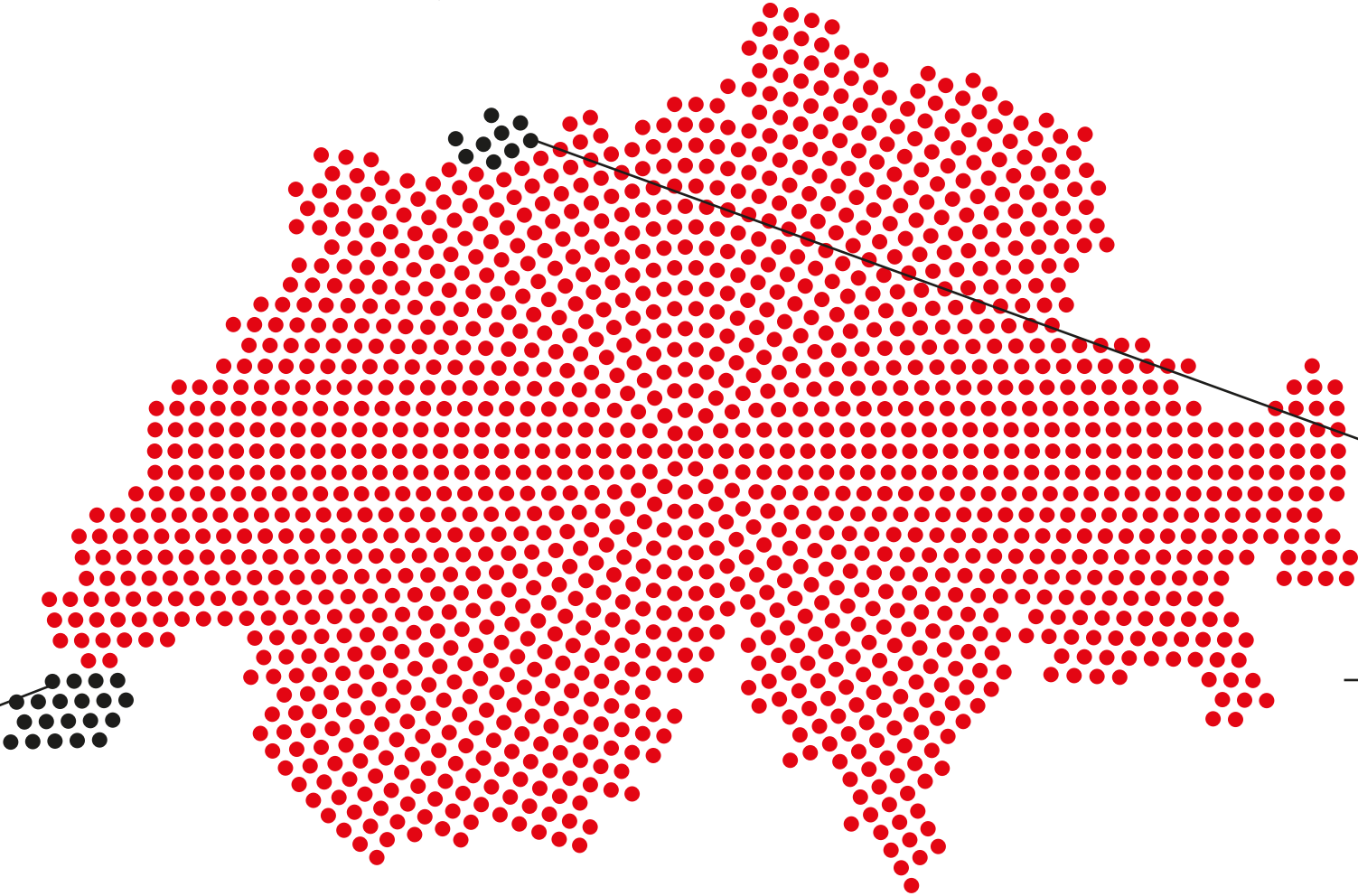
KLODE

ODOURLESS COMPOST

Number of employees	3
Founded	2019
Headquarters	Geneva (GE)

Designed for urban households, the small Mint bin from Klode collects organic waste to compost. But, unlike traditional green bins, Mint gives off no odours and doesn't attract insects, thanks to a patented vacuum system that removes air from the bin by pumping the top of the cover, which slows down the decomposition process. With this innovation, the startup hopes to convince compost sceptics. The young company highlights the importance of composting by explaining on its website that non-separated organic waste makes up more than 40% of CO₂ emissions released from incinerators. And this figure could easily be improved: while more than 90% of household waste is recycled, just 45% of green waste is recycled, according to the company.

"Since we began production in 2020, we have sold more than 8,000 bins," said co-founder Aude Ambrosini. Formerly named Up Green Recycling, Klode was founded by two microtechnical engineers and a business management specialist. The trio met during the Innokick Master's degree programme at HES-SO University in western Switzerland, which brings together engineers, designers and economists, a tried-and-tested mix that successfully launches new products. The startup, which was supported by Genilem and then won the IDDEA prize (Idées de développement durable pour les entreprises d'avenir), was financed via a successful crowd-funding round on the SIG Impact platform in 2019. Klode is preparing to market its product internationally, starting in France this summer.



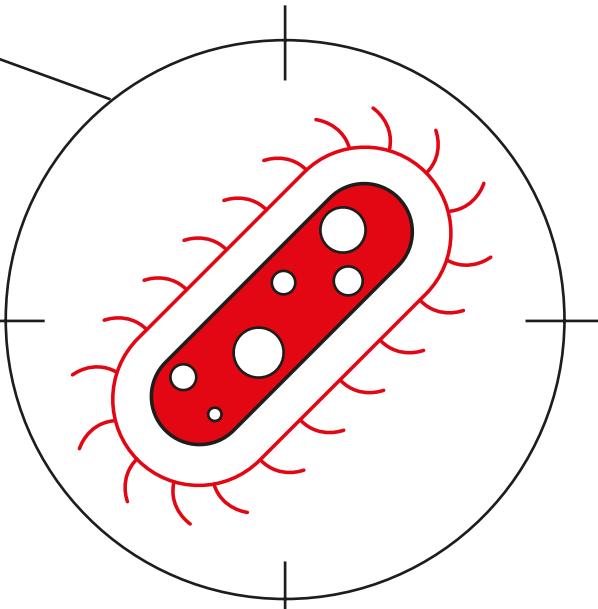
RESISTELL

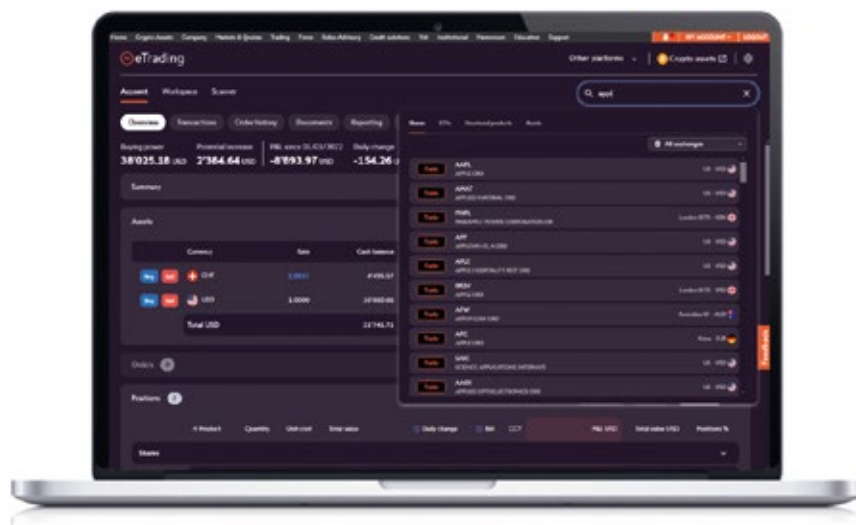
SEARCHING FOR THE RIGHT ANTIBIOTIC

Number of employees	20
Founded	2018
Headquarters	Muttenz (BL)

What is the best way to find the most effective antibiotic to treat a patient? The current test used, called an antibiogram, requires one to two days to cultivate the pathogen agent, and an antimicrobial susceptibility test is then carried out, which adds a further 12 to 24 hours. Doctors don't always have that kind of time to prescribe a treatment, so they often resort to broad-spectrum antibiotics that are effective against most bacteria. But using these treatments increases the probability of bacteria developing antibiotic resistance. The problem is becoming increasingly serious: around the world, at least 700'000 people die each year following an infection by resistant bacteria. To solve this, the start-up Resistell has developed a new type of antimicrobial susceptibility test (AST) that can identify an effective antibiotic in just a few hours.

How does it work? A sample of the bacteria taken from the patient is put in contact with an antibiotic, then placed under a nanomechanical sensor, which measures the movement of the bacteria. The more the bacteria's movement slows, the more effective the antibiotic. A spin-off of EPFL, Resistell has finished the pilot testing phase of its clinical trials for its AST, in partnership with the Vaud University Hospital (CHUV). "The evaluation itself is ongoing and is expected to be complete by the end of the year," said Grzegorz Conciarz, director of operations at Resistell. The market for this type of testing is expected to be worth \$7 billion in 2028. Ranked 9th in the Venturelab 2021 rankings of Swiss startups, Resistell has already raised 3.5 million francs during a Series A round in 2020 and has received various grants, including €2.5 million from the European Innovation Council (EIC).





Trading re-imagined

Our trading platform has undergone a complete makeover. It now has a more friendly and functional interface, as well as new tools. We find out more from Arjeta Haskaj, one of the project managers.

Swissquote's trading platform has a new interface. What are the improvements?

The new interface is more ergonomic and easy to use. We want to offer a flexible and friendly experience, based on feedback from our clients. All features that are useful for trading are now grouped together in the same place. And we took this opportunity to add new tools.

What are the new features?

We implemented a more efficient search tool, for example, and you can use it to easily find a specific product among the hundreds of thousands of products available on our platform. We also launched a tool called the Investment Inspiration widget, which provides personalised investment options based on the investor's trading history. This tool, based on artificial intelligence, allows investors to broaden their horizons while maintaining their scope of interest.

How will the platform evolve?

New services will be added by the end of the year. In particular, we're going to add a "Markets" tab, which will provide economic information on the markets and is accessible directly from the platform. The coming months will be exciting. We have several ongoing projects, including the web platform and our mobile trading app. ▲



ARJETA HASKAJ
PRODUCT MANAGER
TRADING PLATFORM
SWISSQUOTE BANK

So what if I'm with Yuh for the money?

In one year, more than 60'000 Swiss have fallen for Yuh to pay, save and invest. You too can order your free Mastercard and trade fractions of cryptos and shares starting from CHF 25.–



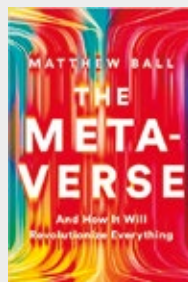
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THE METAVERSE

AND HOW IT WILL REVOLUTIONIZE EVERYTHING

By Matthew Ball
Liveright, 2022

The term “Metaverse” is now everywhere, and yet we still don’t know exactly what it is. This book from Matthew Ball, a former Amazon Studios exec, clarifies that question. First, he explains that general prototypes of Metaverses already exist, such as the video games *Fortnite* and *Minecraft*. But these universes pale in comparison to what the Metaverse will become, according to Ball: a virtual world parallel to our own, in which we will spend a large amount of time, with virtually unlimited applications. The book provides some concrete examples for use in sectors such as finance, education, and healthcare.



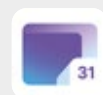
25 Swiss francs

CAN LEGAL WEED WIN?

THE BLUNT REALITIES OF CANNABIS ECONOMICS

By Robin Goldstein and Daniel Sumner
University of California Press, 2022

This book explores the challenges of the legal cannabis market, claiming that many obstacles have been underestimated, including the resilience of the illegal market, where prices are about 50% lower on average. The commercialisation of cannabis also has many limitations, such as strict regulations and standards (packaging, protection of minors, etc.) which all add to the hidden costs and barriers to enter the market. Despite the difficulties, the authors predict a prosperous future for entrepreneurs in the sector to whom the book provides many pieces of advice.



Google Play
Free

PROTON CALENDAR

THE FREE, SECURE CALENDAR

Known for its encrypted email messaging service and very highly regarded VPN services, Proton has created the Proton Calendar, an easy-to-use calendar and agenda app that integrates all the standards that made ProtonMail so successful, such as data encryption and respect for private data.



Google Play,
App Store
Free

MASTODON

DECENTRALISED TWITTER

Mastodon is a social network that offers an alternative to Twitter. Completely decentralised and open source, without any collection or use of personal data, this app has just been released on Android after a successful launch on iOS in July 2021. At a time when controversy is raging about Elon Musk’s purchase of Twitter, Mastodon has a record number of new subscribers.



Google Play,
App Store
Free, in-app
purchases

PIXLR

PHOTOSHOP FOR YOUR SMARTPHONE

There are many applications to edit and process images on Android and iOS. Rising above the competition is Pixlr, which has an impressive amount of filters and effects available.



Google Play,
App Store
Free, in-app
purchases

MUBERT

AN INFINITE PLAYLIST

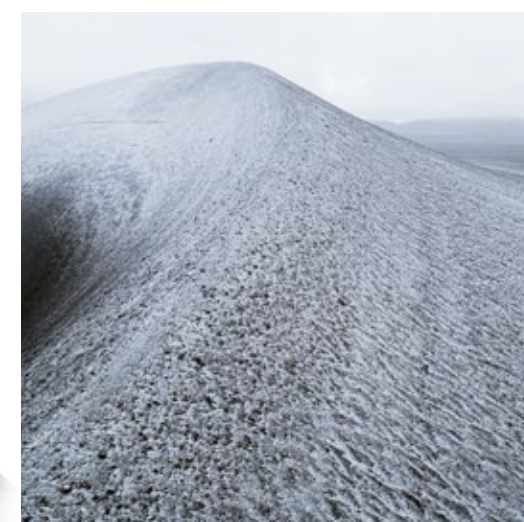
As people who enjoy lots of music on their smartphones know, there’s always a moment where you don’t know what to listen to next, especially after listening to the same playlist ad nauseam for years. To solve this problem, Mubert uses artificial intelligence to compose an unlimited amount of music based on the listener’s taste and mood. The result is incredible.

RADO

SWITZERLAND

MASTER OF MATERIALS

RADO.COM



CAPTAIN COOK HIGH-TECH CERAMIC DIVER

Feel it!



AUTO

Quest for the ultimate

BY RAPHAËL LEUBA

Mercedes' flagship electric model, the EQS aims for excellence in terms of comfort and on-board technology. And an almost unbeatable range to boot.



MERCEDES EQS 450+

ENGINE:
1 REAR ELECTRIC MOTOR; 107.8 KWH BATTERY
POWER:
245 KW (333 HP), 568 NM
RANGE (WLTP):
770 KM
ACCELERATION:
0-100 KM/H IN 6.2 SECONDS
PRICE:
STARTING AT CHF 141,000

The S-Class has been Mercedes' top-notch line since 1972. And it was the traditional vector through which innovations were brought to the entire automotive industry. But that was before, i.e., before it all went electric, leaving space for others to take the lead. For example, Toyota has stood out for hybrids and Tesla for high-performance electric vehicles and self-driving capabilities.

Along with Porsche and Audi, Mercedes lashed back. A bit slow to come round, but its response has been all the more impressive. Today, the oldest car maker and multiple F1 world champion with its V6 hybrid has the broadest all-electric line-up on the market,

currently with six models and soon eight! And there's no stopping them now. As with its combustion cars, the electric EQ range has added an "S", setting new standards for the ultimate in high-end EVs. This impressive 5.22 m long EQS has reigned unimpeded for a few months, but the competition is already looming in its rear-view mirrors (see inset opposite).

In more ways than one, the EQS is the most of the most. Its sleek and streamlined silhouette provides extremely fine-tuned aerodynamics (Cx 0.20) but the interior remains fit for royalty. Quite an accomplishment, which makes up for the massive weight of at least 2,480 kg due to its super-size

107.8 kWh battery. The result is an unprecedented theoretical range of 770 km (WLTP). Fast charging stations are not so easy to find, but the EQS can handle charging at up to 200 kW. That means the battery can be replenished from 10% to 80% in barely half an hour. However, with only one charging port at the rear, the acrobatics of manoeuvring around in underground car parks, which are often the best equipped with charging points, can be a challenge. The all-wheel steering system makes the EQS much smoother to handle, but it's still a tank. In fact, with a car that size, we presumed we would find a second trunk at the front to store the cables. No such luck. The bonnet can only be opened for servicing. Luckily, the rear trunk is spacious.

One nice detail is a drawer in the front left fender where you can top up on windscreen washer fluid. But a piece of plastic won't keep us from longing for the noble V8. The engine of the 450+ is hidden from sight in the rear axle. The stator has two windings and three phases, with a permanent-magnet rotor and an internal cooling liquid circuit... It's undoubtedly very well designed, but not the stuff of dreams. No matter! For the time being, it's screen size that matters in the battle for sales, more than old mechanical values.

In that department, the EQS breaks records with a dashboard almost entirely covered in pixels. And, as is often the case with touch controls, you're often tapping away and not always looking at the road. Fortunately, the Mercedes plays the protective partner, keeping its eyes peeled, or rather its 350 sensors on guard. The system is not infallible. It can slow from 120 km/h to 80 km/h on the motorway after reading the wrong sign, but it generally monitors the driving situation with accuracy. But what wins the vote, more than the augmented reality head-up display or the automatic comfort

doors, are the front seats. The ergonomics are amazing, adjusting the seats to the millimetre to contour areas of the body we didn't know were there. And then there's the incredible hot stone massage – just one of many programmes to choose from – that saves you a spa membership. Another perk is the high-performance air filter system, which keeps 99.65% of airborne pollutants outside! The cursor moves into the yellow or even red when you open the window in the city during rush hour.

The 333-horsepower EQS 450+ is a simple rear-wheel drive car – as opposed to the 580, with two motors, 523 horsepower and all-wheel drive – offering decent acceleration. The variable height air suspension gets

rid of bumps, even though that is less true at low speeds. No internal combustion engine could offer such a smooth ride. That helps us get over the absence of a six or eight-cylinder engine, even a hybrid. The result is all the more commendable considering that this high performance requires a relatively moderate amount of energy. We logged an average of 22 kWh per 100 km in mixed use and even went down to 16.5 kWh on a trip from Biel to Geneva on the main roads, with minimum intensity engine braking (freewheel function). Conversely, maximum recovery is useful on winding roads, where the weight definitely makes a difference. But don't overdo it. Otherwise you might wake up the sleeping royalty stretched out in the back. ▲



ON TO SUVs

The Mercedes EQE and the EQS will soon lend their system to SUV iterations. The SUV EQS (5.12 m) is naturally taller and less aerodynamic, but it can seat up to seven passengers. It will undoubtedly be the fiercest competitor to the regal limousine, offering the same level of features, space and kilowatt-hours. In a direct comparison, BMW is the first to respond with its new 5.39 m long i7 xDrive60, priced at 169,900 Swiss francs.

TRAVEL

Deluxe treetop stays

Sleeping under the canopy without compromising on comfort or luxury? These days, you can. Here is our selection of five unique treehouse stays.

BY GAËLLE SINNASSAMY



ODDA, NORWAY

Taking in the fjords

A 20-minute walk brings you to this haven, nestled between two of Norway's largest national parks, near the town of Odda. On a hillside facing the wooded slopes of Hardanger Fjord, Woodnest treehouses can bring happiness to the most discerning of design connoisseurs. Blending into the surrounding nature, the lodgings overlook the breathtaking landscape and offer 15 square metres of perfectly apportioned space, both aesthetically and practically, with four beds, a bathroom, a kitchenette and a living area. Perched 6 metres high in the heart of the forest, these cocoons are accessible via a small footbridge and were built with local materials, such as the alder wood used to create the custom-made interior furnishings. A stylish retreat to replenish your energy, deep in this sumptuous environment.

WOODNEST | LUXURY TREEHOUSE | WOODNEST.NO
+47 912 40 112 | 780 SWISS FRANCS PER WEEKEND
(2 NIGHTS)



TRAVEL

TREE INN

SWISSQUOTE JULY 2022

DÖRVERDEN, GERMANY

A night with the wolves

Located deep in the heart of a five-hectare private estate in Lower Saxony, Wolfcenter has set out to enhance the image of the big bad wolf. Here, you can stay in a cabin perched five metres above the ground and, through the windows running along one wall, overlook the wolves' enclosure. Accessible via a suspension bridge, the cosy accommodation offers maximum comfort, featuring a whirlpool bath, mini-bar, underfloor heating, air conditioning, flat screen TV, and a roof terrace with a panoramic view of the European grey wolves and Arctic wolves. Additionally, the complex has two showrooms and a care centre for injured wildlife. Guests can also accompany Wolfcenter staff to feed the wolves through a fence and even pet them... if the wolves let you!

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FROM 472 SWISS FRANCS PER NIGHT

HAFLING, ITALY

The Tyrolean chalet

A few miles from Merano in South Tyrol, the San Luis Hotel ups the treehouse concept to five-star accommodation. In a sunny clearing surrounded by 40 hectares of privately-owned forest land, the most luxurious treehouse available spans 72 square metres and two floors. The lower floor opens onto a comfortable and spacious living room with a fireplace and huge bay windows. Stairs lead to the upper floor, where the elegant bedroom features a king-size bed and a separate bathroom with both shower and bathtub, offering a breathtaking view. For the ultimate deluxe experience, you can relax in a private sauna in the outdoor veranda amid the treetops. This idyllic retreat has all the services of a luxury hotel: gourmet restaurant with a fusion of traditional South Tyrolean cuisine and Mediterranean flavours, wine cellar, indoor and outdoor swimming pool, spa and even a jacuzzi in the middle of the estate's own lake.

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FROM 500 SWISS FRANCS PER NIGHT PER PERSON



SAN LUIS HOTEL

ESVRES-SUR-INDRE, FRANCE

Art and nature

Loire Valley Lodges meld contemporary art and raw nature to bring you a unique sensory immersion. The tone is set as soon as you walk through the door. Visitors are greeted with fresh herbal tea and a bracelet scented with a drop of homemade woody essential oil. Eighteen 50-square metre wooden lodges hover four metres off the ground throughout the estate, decorated with works of art. For example, the Yellow Shelter, trimmed in a bright sunny yellow, was designed by the famous French visual artist Aurèle Ricard. A huge bay window opposite the king size bed immerses guests in the surrounding foliage. Comfort is top-notch and the atmosphere incredibly soothing. Activities on site include spa treatments with oak bark extracts, a barefoot trail, themed literary evenings and lyrical hikes accompanied by an opera singer.

[LOIRE VALLEY LODGE](#) | [LODGE YELLOW SHELTER](#) | [LOIREVALLEYLODGES.COM](#)
[+33 247 388 588](#) | FROM 415 SWISS FRANCS PER NIGHT



ANNE-EMMANUELLE THION

CASAI MESTRE MENDO, PORTUGAL

Surf paradise

In this part of the world, surfing is more than a sport. It's a religion. Just 20 minutes from the famous Portuguese surf spot of Peniche, Bukubaki Eco Surf Resort welcomes its guests in Canadian glamping-style tents, villas or treehouses hanging in the shade of the pine trees. The cosy nests set on stilts are equipped with two bedrooms, a double sofa bed, eco-heating, air conditioning, a bathroom, a dining room with kitchenette, and a large terrace. Surfing and skateboarding lessons are available as activities. Built from natural materials and powered by renewable energy, the resort gives guests the opportunity to relax between rides. Also available are yoga and meditation classes, a sauna, a seawater pool and massages.

[BUKUBAKI ECO SURF RESORT](#) | [TREEHOUSE WIDE](#) | [BUKUBAKI.COM](#)
FROM 262 SWISS FRANCS PER NIGHT



BUKUBAKI ECO SURF RESORT

BOUTIQUE



SMART GLASSES FOR CYCLISTS

Engeo smartglasses were designed for cycling and other endurance sports. Providing connectivity with Garmin Smartwatches, they deliver real-time performance data directly in the field of vision, such as speed, heart rate, elevation, power and distance. The glasses offer up to 12 hours of use and weigh only 42 grams.

engoeyewear.com
300 Swiss francs

RESISTING SHARK BITES

Surfers' worst nightmare, sharks are considered one of the most frightening marine animals. To help prevent potentially fatal attacks, the Australian startup Shark Stop has developed a special wetsuit in polyethylene. This material is used to make bullet-proof vests, and its abrasion-resistance limits injury in case of a bite.

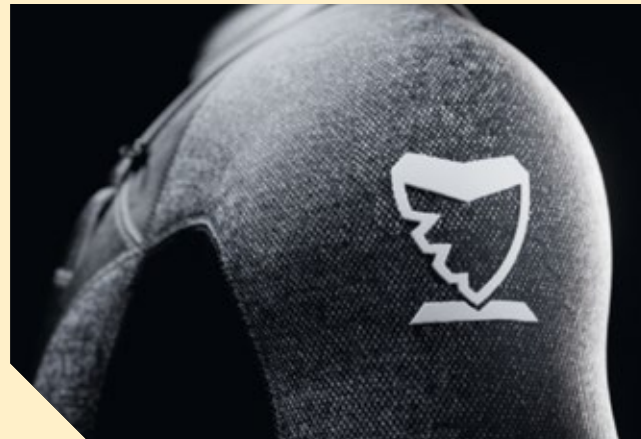
sharkstop.co
700 Swiss francs



125 YEARS OF THE SWISS ARMY KNIFE

Victorinox is celebrating the anniversary of the Swiss Army knife, which has become a design icon over time. The Swiss brand is offering a limited edition replica of the original 1897 model. But you will have to hurry: only 9,999 pieces have been put on sale worldwide.

victorinox.com
399 Swiss francs



SOLAR LIGHTER

Ideal for lighting barbecues and campfires, the Suncase Gear is a compact, ultra-lightweight (12 grams) solar fire starter. Designed with unbreakable mirrors, this waterproof and windproof lighter works even in extreme cold, concentrating the sun's rays in a focal point for incandescent ignition in three seconds. Made in France from 70% recycled material, it can burn all types of fuels: wood, paper, tobacco, incense, and more.

solarbrother.com
31 Swiss francs



SUSTAINABLE LOUNGE CHAIRS

The Ensō lounge chair is a collaboration between the furniture manufacturer Lehni and the Zurich-based bag label Qwstion, combining design and sustainable production. The chairs are made in Switzerland from recycled aluminium and Bananatex, a fully biodegradable fibre. Weatherproof with an interchangeable seat, the Ensō is functional for indoors and outdoors.

lehni.ch
From 1,100 Swiss francs



VERSATILE EARBUDS

Bang & Olufsen is launching Beoplay EX, its new wireless stick-shaped earbuds with improved microphone access. The devices feature Bluetooth 5.2 connectivity, adaptive Active Noise Cancellation (ANC) that filters out background noise and battery life of up to 28 hours.

bang-olufsen.com
399 Swiss francs

BOARD AESTHETICS

Deep in western Switzerland, LGS Board Manufacture creates veritable works of art. Made of wood from nearby Risoux forest, the "Diamond" wakesurf is embellished with cork rails, walnut and spruce inlays and coloured skateboard wood detailing in the nose and tail. Carbon reinforcements and fibreglass laminated with biosourced resins increase stability and guarantee longevity.

lgs-sk8.ch
From 2,350 Swiss francs



TRIED AND TESTED

GET RICH
BY RUNNING

BY GÉRARD DUCLOS

The STEPN app offers users the chance to earn cryptocurrency by jogging. *Swissquote Magazine* put on its virtual running shoes to make its fortune.

Earning money while having fun is a common promise in the crypto world. Following on from “play to earn”, which boasts the chance to make money by playing video games, here’s an innovative new concept that’s gaining prominence: “move to earn”. Launched at the end of 2021, the STEPN app has popularised the phenomenon. The concept is simple: the app monitors users’ steps and runs, and rewards their efforts with GST and GMT tokens. These tokens can then be used to progress in the game, or they can be sold in exchange for other cryptocurrencies. Drawn by the potential profit, STEPN reports that it already has two to three million users.

And so we thought it was time for us to join the band of committed athletes by downloading the app. The first hurdle is that in response to the mass influx of new users, the platform currently only allows you to register if you have an invite code provided by an existing member. After spending hours on the project’s Discord server and hundreds of unsuccessful attempts, we finally get a code that is still valid for a few seconds.

So now we’ve got our running gear on and we’re ready to make money. Or not! Before we can start raking in the cash, we need to head to the checkout to buy a pair of virtual trainers (NFTs) whose statistics will directly affect the return we get from our jogging sessions.

Our profits depend less on the intensity of our exercise than they do on the performance of our virtual shoes

At the time of writing, the cheapest pair available sell for around 4 SOL, approximately \$160 (the app uses the Solana and BSC blockchains for their low transaction costs). The trainers aren’t sold by STEPN, but by other users who “mint” (or create) them by spending GST, the token earned by running. Some users even specialise in creating and selling shoes.

The app designers have demonstrated real ingenuity in the measures they’ve put in place to ensure users don’t immediately – or ever – convert their profits into cold, hard cash, which would automatically result in a steep drop in the token’s price. You have to regularly spend the GST you earn to repair your trainers as well as to improve their statistics and increase their future returns.

The result: our hopes of getting rich quick have been dashed. At this rate, it would take us about a month to make our trainers profitable, assuming the price of GST remains at current levels, something which is far from guaranteed (it has already undergone a steep drop since the beginning of May). Our profits depend less on the intensity of our exercise than they do on the performance of our virtual shoes and our level within the game. According to the specialist press, STEPN makes \$3-\$5 million profit per day by taking commission on all transactions. Note: since our test, STEPN has been banned in China, and was subsequently the victim of a series of denial-of-service attacks, causing the price of GST to fall. ▴

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AUDEMARS PIGUET
Le Brassus

FROM ICONOCLAST TO ICON



Royal Oak
50th anniversary

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